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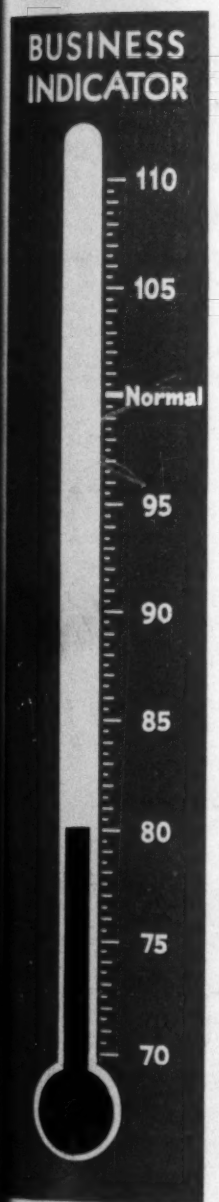
DEC 10, 1930

THE BUSINESS WEEK



The beginning of December shows no significant change in the stagnant business situation, and few indications that any change is in early prospect. . . . One thing only may be said with some assurance, which is that the level at which business activity is running shows no sign of going much lower, probably can't, and probably won't, unless something has happened to the world that statistical yardsticks never had to measure before. . . . Our index still fluctuates around a level 80% below normal, dropping slightly from 80.8% (revised) to 80.3% (preliminary) for the week ending November 29. . . . Industrial activity is still sloping down, as usual, to the year end, but from a low level. General trade, reflected in merchandise car loadings and currency in circulation, is pointed up toward the holiday peak. Commodity prices, supported by special stabilization efforts, are steadier, but have not been fully tested as yet. . . . Slow fulfillment of the promise of international cooperative effort to check deflation and rectify financial maladjustments is discouraging, and the prospect of increased taxes and congressional chaos are holes in the Christmas stocking. But it is nevertheless being gradually filled with hope, as business begins to look forward to the new year more calmly and courageously.

5 CENTS McGRAW-HILL PUBLISHING CO., INC.

The SACRED COWS GO OVERBOARD!

Ends Stock Shortage, and Prevents Overstocking

The Adams Company, Dubuque, Iowa, reports through J. B. Meyer, Superintendent:

"Formerly we were always out of some urgently needed item, making it impossible to regulate shipments. Shortages necessitated rush orders and involved waiting for deliveries to complete shipments; and at the end of the year we found large quantities of obsolete stock on hand. All this was very costly.

"The McCaskey System has ended all these troubles, and has paid for itself every six months since its installation, by eliminating emergencies and setting up the minimum and maximum stocks to be carried on such items."

This tough sailing has been a godsend to many firms. To weather the storm, many "sacred" cows have been tossed overboard—pet policies examined and abandoned—useless expenses eliminated—loafers on the payroll dropped. With decks that are *cleared* for action, Big Business will meet the next period of fair weather sailing.

Now—while readjustment is taking place—why don't you get the facts about McCaskey Systems? With neither cost, obligation, nor trouble, you can tap our twenty years of rich experience in dealing with thousands of firms. You can learn how McCaskey "One-Writing"—*at a reduction in clerical expense*—brings far better, prompter, and more thorough service from every department.

The McCaskey man who calls on you will bring you a specific answer to your problems—an answer backed up by facts and figures, such as the account of the Adams Company given at the left. Read it, and see the help that McCaskey offers in these times of distress.

Now is the opportune time. Write today. Your action may save your firm many thousands of dollars.

THE McCASKEY REGISTER CO.

Industrial Division 9120, Alliance, Ohio Galt, Canada Watford, England

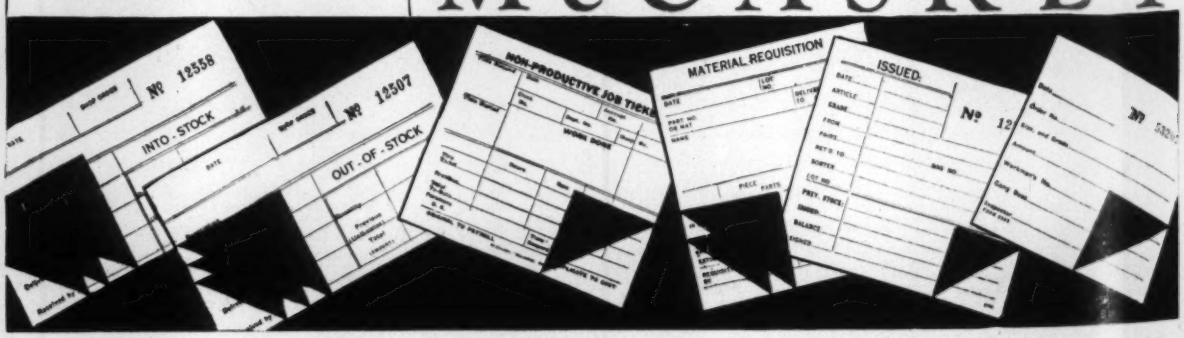
for

Perpetual Inventory
Single and Dual Control
Production Control
Machine Control
Process Inventory
Cost and Payroll Records

McCASKEY ONE WRITING SYSTEMS

Order Control
Planning, Routing and Dispatching
Tool Check and Tool Investment Control

McCASKEY



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What's In This Issue —And Why

Transportation War

"WE should strengthen the railroads," said the President's message; "by a new Transportation Act," add railroad leaders. Bus, truck and pipe line operators mobilize for the war in Washington. (page 5)

Anti-Trust Algebra

MR. HOOVER wants a Sherman Law formula that makes cooperation equal competition and wasteful practices equal zero—especially in industries using natural resources. Congress will brush up on its algebra. (page 7)

Extraction

IF the Capper-Kelly bill gets out of the Congressional dental chair this session, it will leave most of its teeth behind. Business now expects it to do only a "gumming" job, if any, on re-sale price maintenance. (page 8)

Planned Employment

FAR-SEEING executives prepared for the present emergency by advance planning. Inquiry by THE BUSINESS WEEK brings full descriptions of unusual stabilization measures that can—and will—be adopted by many plants. (page 14)

Labor Gamble

TEXTILE labor, looking for a breach in the non-union South, has picked a mill whose advanced personnel policies leave union recognition as the only issue. Win or lose, the Danville strikers are gambling with public sympathy. (page 16)

Bear-Baiting

WASHINGTON clamored for a bear hunt. Wall St. reached for a scandalmonger. The 42 governors released a statistician. John Pope of Mississippi was a bear and is a vindicated man because his figures were right. (page 18)

Strong Steel

STEEL decides that it is strong enough to follow an old custom; raises prices $1 a ton to drive in first-quarter orders. (page 12)

Cement Shows Sand

THREATENED with a cancerous growth of destructive practices, the cement industry has operated, cut out the traditional "dealer's differential" that made dealers out of politicians. (page 11)

Cold Wave

NEXT March, just as business is warming up for 1931, cold winds from Washington will blow in 1930 income tax blanks carrying the older, higher 1928 rates. The new federal budget ends the long suspense. (page 7)

Dividend Year

STOCKS are low. So were November dividend payments. But December declarations are likely to carry the year's total ahead of 1929's. (page 14)

Coal Strike

ALL the world watches Britain's efforts to parry the threat of a disastrous coal strike. Miners are already walking out on the Coal Act. Cables tell of Europe's concern. (page 29)

Farm Philosophy

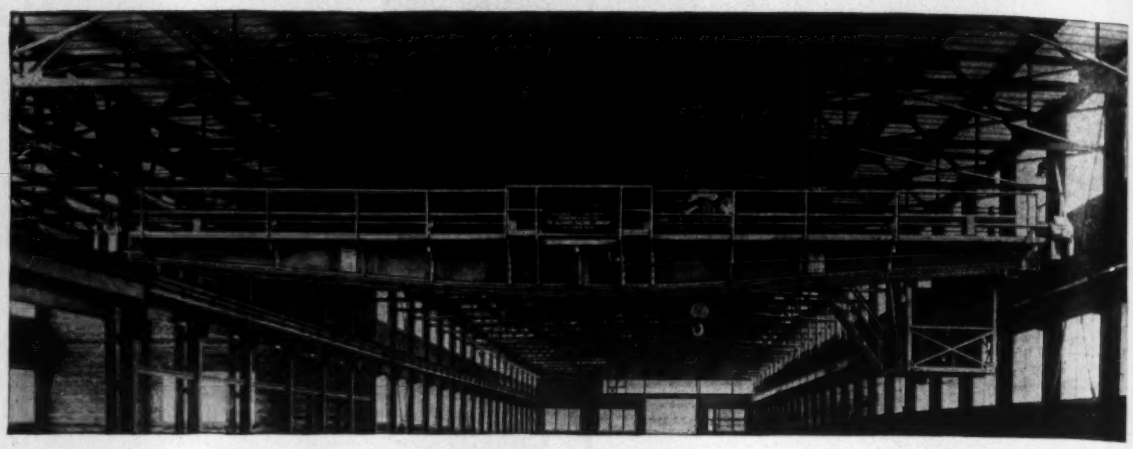
THE Farm Board's first annual report expounds its stabilization philosophy. Critics remember that philosophizing has been defined as "justifying one's acts." (page 13)

Ford Mystery

DAGENHAM, England and Cologne, Germany have been curious about their new Ford "mystery plants." So have other motor manufacturers. Detroit clears up the mystery, supplies the key to Ford's foreign program. (page 32)

Naval Bids

BIDS for transatlantic traffic: Germany—new *Bremens;* Britain—a shipping pool; America —another $45-million subsidy. The pot may be disappointing. (page 6)



Built of Alcoa Aluminum this Giant Crane weighs 12 tons less

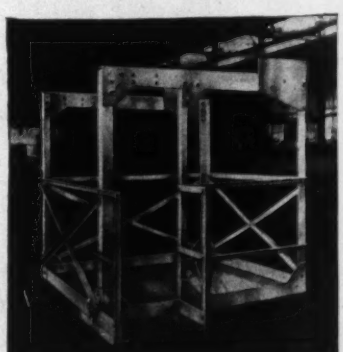
The great strength of the light, strong Alloys of Alcoa Aluminum is clearly shown by this recent use of them. This 10-ton crane, built by the Alliance Machine Co., of Ohio, has all the strength of a similar steel crane—but weighs 12 tons less.

Reducing the crane's dead-weight by 12 tons means a big saving in power. Also a tremendous saving in supporting members. Since the crane operates over a 700-foot runway, the saving in supports is no small item. In addition, the crane is unusually easy to handle and quick to spot.

Another interesting point—the company that built the crane had no previous experience with aluminum alloys. Yet, no fabricating difficulties were encountered.

The light, strong Alloys of Alcoa Aluminum are as easy to fabricate as steel—and only one-third as heavy. They offer tremendous advantages for giant machines—for tiny machines. From 10-ton cranes to typewriters, they bring weight reductions that speed work, reduce production costs and increase salability.

Our nearest office will gladly give you full technical data on the application of the light, strong Alloys of Alcoa Aluminum to any need you have in mind. ALUMINUM COMPANY *of* AMERICA; 2405 Oliver Building, PITTSBURGH, PENNSYLVANIA.



1800 lbs. of dead-weight were saved by making the Operator's Cage, including controls, of Alcoa Aluminum Alloys.

ALCOA ALUMINUM

THE BUSINESS WEEK

The Journal of Business News and Interpretation

News of the week ending December 6, 1930

The Transportation War Moves Toward a Legislative Battle

Harassed by Competitors, Who Charge Exaggeration, The Railroads Turn to Congress for Relief

THE railroads and their competitors (trucks, buses, pipe lines) are girding themselves for a finish fight, events this week indicate. Out of the aggressive campaign begun by the rail carriers (*The Business Week*, Nov. 26) is likely to come a Transportation Act of 1932 to replace that of 1920, now regarded in many quarters as obsolete. Some observers in Washington read this between the lines of President Hoover's message ("We should strengthen the railways that they may meet our future needs") and in the annual report of the Interstate Commerce Commission.

The first gun was fired for the railroads when Elisha Lee, vice-president of the Pennsylvania Railroad, addressing the Railway Business Association, declared that the railroads, their stockholders, employees and managements had rights and were going to fight for them vigorously. "Starvation returns have been the lot of the railroads for years," he said, "and the day is at hand when better treatment is necessary."

The chiefs of all the Class I roads spoke out soon after through the Association of Railway Executives. Faced with "the most serious emergency since the passage of the Transportation Act of 1920," they announced that sweeping legislative relief would be demanded from Congress and appointed a committee headed by Alfred P. Thom, their counsel, to draft a series of measures.

Earnings Down 15%

As spokesman for the railroads, Charles C. Paulding, vice-president of the New York Central, sums up their position:

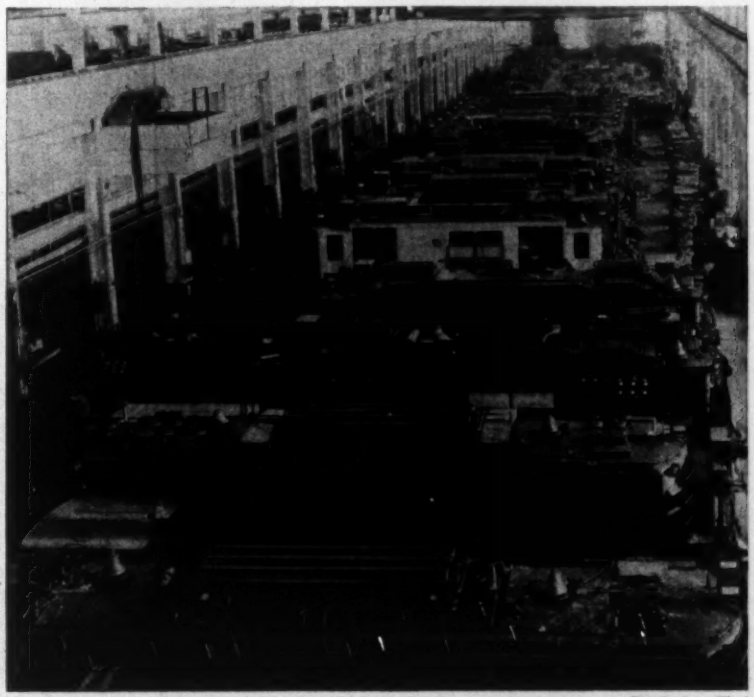
Gross earnings of the Class I roads in the 9 months of 1930 decreased $699 millions from 1929, nearly 15%; their net operating revenue fell $303 millions, more than 31%. Both gross and net returns were the smallest for the 9-month period of any year since 1922; this notwithstanding the country's growth in population and the large "capital expenditure" on the properties in the intervening years. Whereas the "fair return on property investment" ostensibly guaranteed by law is 5¾%, the actual rate of return for the present year to date has been about 3½%.

Legislation embodying the aims of the railroads and to be proposed by them, according to Mr. Paulding, would: extend the jurisdiction of the Interstate Commerce Commission to coastal steamship lines and provide for their regulation; standardize coastal steamship requirements and control their operation through the issuance of certificates of convenience and necessity; amend the Panama Canal Act to enable railroads to operate steamship lines coastally and on the Great Lakes, on the same terms under which steamship lines operate; regulate interstate bus operation; provide authority for railroads to operate buses and trucks; impose commercial motor vehicle licensing fees adequate to the cost of maintaining the highways; amend the Transportation Act so that pipe line common carriers shall be subject to the same restrictions as the railroads in the transportation of commodities in which they are interested, directly or indirectly. This last recommendation would force the oil industry to divest itself of a $400-million investment in pipe lines.

Counter-Moves Planned

No sooner had these pronouncements been made than the truck, bus, and pipe line groups got together in a meeting in New York to discuss ways of meeting the railroad offensive.

The tone of the meeting indicated



The Business Week

SOME LOCOMOTIVES

Straight electrics, for New York Central freights; oil-electrics for the Erie; and diesel-battery-third rail yard locomotives. There is enough power on this assembly floor at the Erie works of General Electric to pull a freight train 30 miles long

that these groups will not stand for an attempt to level the advantages of all transportation agencies through "punitive" regulations or "burdensome" taxes. They will maintain that every form of transportation supplies a special service and the public should be permitted to use the service best suited to its needs; that each form should make progress on its own merits.

To the railroads' charge that competing motor vehicles enjoy "free use" of the highways built with public funds, it will be pointed out that this year motorists will pay special taxes in excess of $1 billion while the highway program cost will be only $500,000 more than that. The average tax on a truck is $74; on a common carrier truck, $459; on a bus, $447. In many states, special common carrier fees for trucks and buses are more than $1,000 per vehicle per year.

The railroads' claim that they are forced to pay taxes to provide highways for their competitors will be answered with the assertion that they pay only 2½% of the total highway income.

Modest Competitors

Bus operators insist that the railroads exaggerate the seriousness of their competition. They point out that the rail carriers have lost 16 billion passenger-miles of business in the last 10 years; that in 1929, buses accounted for 10,835,000,000 passenger-miles; that the amount of this business which the rails could possibly win were the buses to cease operation altogether does not exceed 2,637,000,000 passenger-miles—one quarter of the annual bus load, one-sixth of the loss suffered by the railroads in the last 10 years and only one-twelfth of the present rail business.

They charge that, prior to the advent of the long-distance bus lines, the railroads in general failed to sense the significance of the highway passenger business, that they steadfastly refused to have anything to do with the new medium. Now they are pleading for coordination of the bus with the rail lines as the basic transportation agency. The plan was sound 5 years ago, the bus men assert, but since that time a new transportation industry has come into being and has developed a recognized place in the public mind. The railroads are not really handicapped by the fact that commercial motor vehicle operators are not compelled to own their rights-of-way, the bus men claim, but by a lack of adequate motive power development to keep pace with the innovations brought out by the automotive engineers.

So wrothy have some of the commercial vehicle operators become at railroad charges that, in one instance, a group of truck and bus men have announced their intention of bringing action for libel against a high rail official for alleged false statements made by him in a public address.

Pipe Lines of Defense

The gasoline pipe line operators, who will fight to the limit any attempt to divorce the pipe lines from the parent oil companies, also believe their role as a "menace" to the railroads is being overstated; that rail carriers will not lose present gasoline traffic nor the tank car leasing companies any serious volume of business. To prove their point they show that during the past 5 years the average annual increase in the national consumption of gasoline has been 100,000 barrels daily; that this is about the total daily capacity of all the gasoline pipe lines under construction or planned. Assuming that these pipe lines operate to capacity, they say, the railroads would still have their present amount of business. And they add that it is highly debatable whether other important pipe lines will be constructed in the near future, not only because of the technical problems involved, but also because a relocation of refineries, in which the oil companies have large investments, would be necessary.

The coastal steamship lines will also vigorously oppose any legislation designed to permit the rail carriers to operate steamship lines in the intercoastal service or on the Great Lakes, and to extend the jurisdiction of the I. C. C. over steamship rates.

German Speed, British Pool Stir U. S. Shipping Board

KEEN competition of the North German Lloyd speed queens, *Bremen* and *Europa*, rationalized schedules which may extend to a complete pooling of all British lines, and letting of the contract for the $25-million super-Cunarder, probably were the most significant factors behind the recommendation of the U. S. Shipping Board, in its annual report, that Congress remove the limitation of $150 millions on construction loans and authorize expenditure at once of the entire $250 millions. Further, the board recommends higher mail rates for vessels of more than 24 knots.

President Hoover's advisory shipping committee has recommended a Shipping Board loan to the United States Lines of $45 millions for aid in building 2 superliners. Assistant Postmaster-General Glover explained that "their tonnage must not be less than 50,000, and the speed 30 knots."

Despite the questionable economics of competition on the North Atlantic, and the wisdom or folly of government subsidy, Washington is determined to build a worthy merchant marine. American ships shall "rank with the best."

International News

DR. ELIHU THOMSON

He played a principal part in the application of electricity to modern life. The American Society of Mechanical Engineers made him an honorary member at their 51st meeting, December 2

Labor Secretary Again Is from Union Ranks

WILLIAM GREEN is "keenly disappointed" with President Hoover's appointment of William N. Doak, of the Brotherhood of Railway Trainmen, to succeed Davis as Secretary of Labor. Mr. Green regrets that for the first time the secretaryship has not gone to a representative of the American Federation of Labor. The President spiritedly asserted his right to appoint anyone he though best fitted.

Many business men are, like Mr.

Green, disappointed, but for a different reason. They regret that the President did not spiritedly grasp the opportunity to name someone, perhaps entirely outside the ranks of organized labor, who might do for the Department of Labor something like the job Mr. Hoover himself did with the once insignificant Department of Commerce. A considerable body of individuals and agencies interested in making the Department of Labor a vital force had pushed forward the name of Miss Grace Abbott, head of the Children's Bureau.

As to Mr. Doak, there is some variance of opinion. He has capacity. He has political sagacity. Labor leaders, however, resent the fact that he did not stand with them for LaFollette in 1924; he supported Coolidge.

Pay-As-You-Go Policy Wins Close Victory on the Budget

Facing Deficit, Government Makes Few Concessions To Depression; Income Taxes Go Back to 1928 Levels

SUMMARIZED, the new federal budget sent to Congress this week represents a nearly complete victory for the "pay as you go and liquidate your debts" philosophy in public finances. Income tax rates are to return to 1928 levels. Small concessions to the needs of business during depression are made only in slightly slower retirement of public debts, increased public building, and incidental aids to specific industries. Congressional attacks are likely to occur, unlikely to succeed, due to the composition of the present Congress.

Lengthy White House–Treasury conferences on tax rates for 1930 and 1931 revenues and reported sharp differences of opinion resulted in recommendations for restoraiton of income tax rates 1% above those paid by corporations on 1929 incomes and correspondingly higher for the various grades of individual incomes. Recommendations look to the use of higher taxes, interest payments from foreigners ($185 millions) for current expenses, instead of for reduction of the debt as heretofore, to slower debt reduction, smaller Farm Board demands for cash, reductions of the Treasury's general fund balance to compensate for lower revenues due to the business depression. Nevertheless, a deficit is foreseen, and some borrowing is expected—to be paid off in the fiscal year 1932 for which a balanced budget, by a very slight margin, is in prospect. Statutory debt reduction of about $440 millions is to be undisturbed.

The higher taxes due next March will come just at a time when business confidently hopes to be shaking off the weight of depression and inactivity. But progressive amortization of public debt and the prospect of a balanced budget in 1932 are held up by Washington as compensations.

Increased public building to aid business is planned, the budget carrying $111 millions for purchases of sites and construction. Repeated administration appeals for greater economy have fallen largely on deaf ears, for 40 of 63 government units listed in the budget for 1932 ask larger amounts than they had this year. Those of major importance showing declines include the Library of Congress, Navy, State, and Treasury departments, Board of Mediation and Bureau of Efficiency.

Business interest runs high in many items in the 1932 budget. Through the Shipping Board another $35 millions will be available for construction loans to spur American shipbuilding. Planned procurement of about 1200 new planes will stimulate aviation companies. Military expenditures are to decline by $33 millions. River and harbor development will get $71 millions—to the disgruntlement of the railroads. Adjustment of pay rates to federal employees will result in many increases.

Keystone

LABOR AT HOME

William N. Doak, a brakeman at 18, is Secretary of Labor at 48. Stolid, earnest, this Republican son of a Confederate soldier is the first native American to hold the portfolio

Hoover Would Modify, Not Repeal, Sherman Act

COAL, oil, and lumber men in particular, mining men as well, business men in general, read most eagerly in the President's message his suggestion that Congress study the anti-trust laws, especially as they apply to industries using natural resources, to see if modification of the statutes cannot permit cooperation to

stop wasteful practices and destructive competition. He stated, however, "I do not favor repeal of the Sherman Act."

The President's move had been forecast in his Boston speech in which he remarked that if regulatory laws stood in the way of finding health for the coal industry, the laws should be revised.

It is apparent he hopes a formula may be found whereby adequate competition may be maintained as "the basis of protection to the consumer," "the incentive to progress," but which also will permit cooperative action among competitors to regulate production to consumption. It sounds like tough algebra.

The industries most vitally concerned are delighted at winning this recognition and support for their point of view. The thoughtful among them, however, recognize this is but a start toward a distant goal. In the first place, with all the eagerness in the world, working out of the formula would be extremely difficult. In the second place, the eagerness lacks something of 100%. For reasons outlined (*The Business Week*, Dec. 3) neither the present Congress nor the next seems likely to be willing or able to soften the severity of the laws against combinations. There are the radicals to be reckoned with, and also a considerable body of men who agree with Mr. Coolidge that this is a bad law to begin tampering with; that no one knows where a beginning might lead.

Capital Gains Tax Questioned by Hoover

WHEN President Hoover recommended a study of capital gains taxation in his annual message to Congress this week, holders of stocks, bonds, real estate, and other property took notice—or should have taken notice, since any action which may follow will affect the markets for these properties. Those who have attacked the tax as unsound, as enhancing speculative inflation, as likely to impede business recovery by limiting markets (*The Business Week*, Feb. 26, 1930; Nov. 27, 1929) have had their case strengthened by the President's "I believe this to be the case."

Taxation of gains resulting from profits on sale of property held less than 2 years is at normal income tax rates. If property has been held more than 2 years, profit, when realized by sale, may be taxed at the so-called capital gains rate of 12½%. Choice of which rate is to be used is left to the taxpayer, who naturally takes the lower of the two.

Proponents of a change urge that capital gains should be taxed either not at all, or at a very low rate; that the tax impedes purchases and marketing of assets and thus causes artificial prices; that there is no such tax in the revenue structures of many other nations.

But the returns from this tax provide an important part of Uncle Sam's revenue, and the Treasury heretofore has been loath to consider relinquishing it. In 1927, latest year for which figures are available, gains from sale of real estate, stocks, bonds, etc., held less than 2 years, accounted for $1,813 millions (6.92%) of reported individual income. Gains from sale of assets held more than 2 years accounted for $1,081 millions (4.13%). Figures on the amount of corporate income from these sources are not available. The outburst of speculative activity in 1928 and 1929 probably made capital gains taxation an even more prolific source of revenue than in 1927.

International News

MR. CAPPER—

Scope of Capper-Kelly Bill Much Narrowed by Changes

SURVIVING 15 years of vivisecting, operating, patching by the Committee on Interstate and Foreign Commerce of the House of Representatives, bearing little resemblance to the original, the much discussed Capper-Kelly Bill (H. R. 11) is at last expected to come up for vote during the present session of Congress. It was finally reported out by the committee at the last session and passed by the Rules Committee for preferred consideration on the floor.

Since reaching this position in the closing days of the last session, both proponents and opponents of the bill have mustered all their strength, employed every means possible, pulled every wire available, to bring new adherents into their ranks.

Capitalizing the common belief, that the bill will strengthen the position of the independent retailer, restore his full opportunity to compete, regardless of chain systems, proponents have succeeded in greatly increasing their ranks. The current tendency to attack chain store selling by discriminatory tax laws and other legislation, particularly in Southern and Western states, has made support of the bill politically expedient for legislators who represent the people of these states.

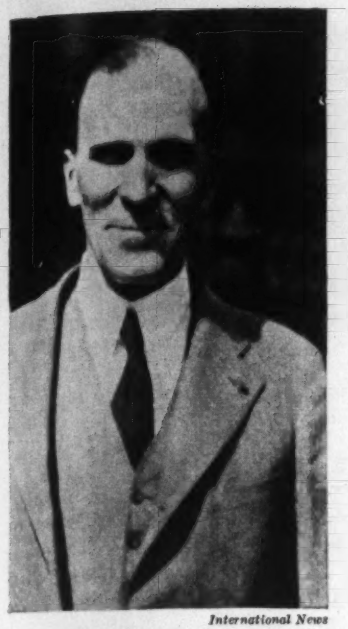
Many national organizations of retailers and wholesalers alike, are arrayed in its support. Some have launched definite campaigns to secure commitments from representatives and senators.

In the drug trade wholesalers and retailers even demand to know how manufacturers stand on the bill, have succeeded in obtaining published endorsements of it from such men as Edward Plant (Lehn & Fink, Inc.), W. W. Templin (The Pepsodent Co.), W. L. Clark (The Parker Pen Co.), Milton Dammaim (American Safety Razor Co.), A. H. Ogle (Bauer & Black), R. D. Keim (E. R. Squibb & Sons).

In the independent grocery, hardware, electrical, plumbing fields efforts to increase chances of favorable action on the bill, already of long standing, have been continued undiminished.

Chain Buying Hit

Arrayed in opposition are, among others, two important groups, the chain stores and the department stores. Particularly in Sect. 2 of the bill they see a definite thrust at the benefits derived through quantity buying, in that it provides that vendors under a price agreement must give "equal terms as to purchase and resale price" to all purchasers, thus placing the small local merchant on even terms with the centralized buying offices of chains.



International News

—MR. KELLY

Channing E. Sweitzer, managing director of the National Retail Dry Goods Association, reflecting the thinking among department store executives, maintains that the bill is a piece of monopolistic legislation, will increase the cost of living, will not stop price-cutting, will not curb the development of chains, will complicate distribution problems.

Some Fangs Removed

Meanwhile the bill itself has had some of its fangs removed during its stormy career, is no longer the price-fixing weapon of national distributors that its opponents have described it to be, will not enable inefficient independent manufacturers, wholesalers, and retailers to escape their just deserts by permitting them to set up profit-insuring price schedules legally unassailable.

Rooted in economic controversy, the Capper-Kelly Bill came before Congress as an attempt to clarify the situation arising from a series of Supreme Court decisions and, at the same time, to extend to the producer of commodities bearing his trademark, brand, or trade name the privilege of making contracts that specify the price at which the vendee may resell them.

The Miles case (220 U. S. 373) decision in 1911 held it unlawful for a manufacturer to fix a resale price for his product by contract. In the Boston Store case (246 U. S. 8) in 1918 the court re-affirmed the Miles decision. The Schrader case (252 U. S. 85) in 1920 brought the added stipulation that price-fixing contracts, either expressed or implied, were illegal.

Colgate Wins a Case

However, when, in the Colgate case (250 U. S. 300) in 1918, the government had sought to extend the Miles decision further, to make it illegal to refuse to sell to dealers who disregarded suggested prices, the manufacturer's right to freedom of trade was sustained and the government lost its case.

Then came the Beech-Nut decision in 1922 in which the Supreme Court by the narrow margin of 5 to 4 held that a manufacturer exercising the right of refusal to sell, affirmed in the Colgate case, actually exceeds the legal limitations of the Sherman Anti-trust Law and violates the Federal Trade Commission Act. Obviously then the Beech-Nut decision is in conflict with the Colgate and Miles decisions.

In its present form the Capper-Kelly Bill, now consisting of but 4 short sections, would legalize, within the limits of its terms, so-called price-fixing only by the producer, only on commodities of commerce bearing his mark, brand, or name. But there's a joker even in this.

Steps To Be Watched

The producer may sell to retailers and specify the resale price to consumers, he may sell to wholesalers and specify the resale price to retailers; *but he may not sell to wholesalers and still specify the subsequent retail price for his product.*

Hence, to have his commodity retailed to the consumer at a fixed price he must eliminate the wholesaler. Thus retailers in lines of trade where wholesalers have proven indispensable are inviting serious disturbance in demanding enactment of the Capper-Kelly Bill. Similarly, wholesalers can have but little hope of any direct benefits from it as it permits only one step of price-fixing, specifically excludes private brand merchandise, and applies only to producer-sold merchandise *in interstate commerce.*

Aside from providing this rather limited opportunity for price-fixing, the bill specifies that those taking advantage of its price-fixing provision must grant "equal terms as to purchase and resale prices" to "all purchases . . . in the same city or town where vendee is to resell the commodity." This stipulation, while aimed at chain stores, would probably prevent many producers from adopting a price-fixing policy in that it would automatically limit their market to just one class of buyers.

The fact that the bill specifically denies the right of contract or agreement between competitors further restricts its actual usefulness and removes it from consideration as a measure that, if enacted, would serve as a curb for the various evils at which it is aimed.

Weekly Pass on Trolleys For Holiday Season

To encourage off-peak riding, bargain street car fares are being offered Milwaukee's shoppers for the Christmas shopping season to continue right up to the holiday. The Milwaukee Electric Co. has come out with a non-rush hour pass for 75¢, good for the week of issue.

The pass is transferable and permits the holder to take an unlimited number of rides during the non-rush hours including theater time, all day Saturday, Sunday, and holidays.

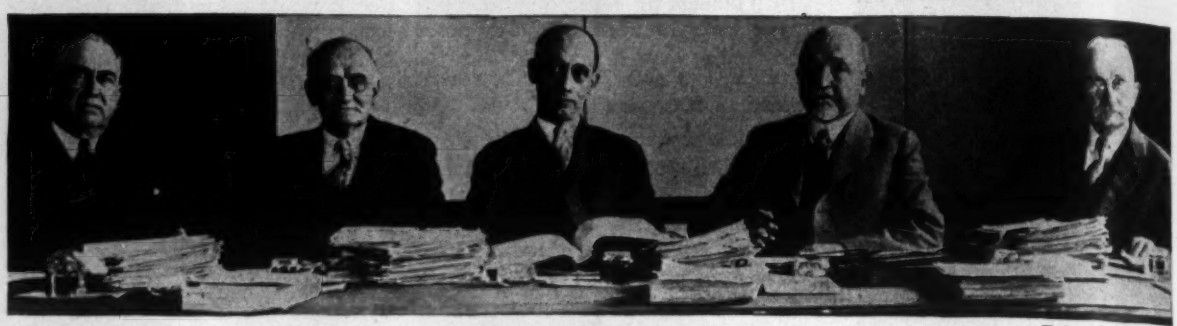
Chilled Aluminum Is Stronger

COLD tests recently conducted in the laboratory of the Aluminum Co. of America prove that aluminum alloys are even stronger at extremely low temperatures than at normal ones. At 112 degrees below zero, Fahrenheit, various alloys of aluminum proved to be from 2.9% to 10.8% stronger than the same alloys when tested at 75 degrees above zero.

The tests were made to answer questions raised regarding the adaptability of aluminum by aviation companies who anticipate the arrival of the day when planes will take to high altitudes, miles above the earth, where temperatures as low as 50 and 60 degrees below zero are common.

Gas-Heated Switches Prevent Train Delay

TRAINS using the Chicago terminal of the Chicago & North Western Railway are not going to be delayed this winter by frozen switches. Gas burners (2,800 of them) have been placed under the rails at switch points to prevent ice formation. Each burner uses 10 cubic feet of gas an hour at a cost of 9 mills. Total cost of installing the burners was $50,000. Snow falls in Chicago about 200 hours each winter, according to records compiled by the railroad.



Underwood & Underwood

DECODING THE CODES

Federal Trade Commissioners Charles H. March, C. W. Hunt, Garland S. Ferguson, W. E. Humphrey, and Edgar A. McCulloch, chairman, open hearings on trade practice code revisions

German Emergency Decree Sweeping in Its Effect

BERLIN (*By Cable*)—The emergency decree promulgated on Dec. 1, eve of the winter reassembly of the Reichstag, is an important milestone on the road to stabilization. This most far-reaching and many-sided legislative act ever passed in Germany, not only covers public finance, but lays down the broad principles of a housing policy for years to come; establishes a state bank for financing German export business on a new basis; enacts important tariff measures on agricultural products; contains minute regulations regarding the kind of bread German citizens may eat.

By drastic curtailment of expenditure, including a 6% reduction in official salaries after Feb. 1, and by measures unifying and simplifying the complicated German system of direct taxation, the decree tends to alleviate the taxation burden on business by reducing next year's budget by $300 millions.

The banking section contains provisions regulating statutes and activities of the Gold Discount Bank, owned exclusively by the Reichsbank. This discount bank in future will put its large resources at the service of the German export trade, notably in the form of long term credits. It will undoubtedly become an important factor in the export trade.

House rents will be under central control only until April 1, 1934. Business demand for the re-establishment of a free real estate market is thus appeased. More important is the provision for financing the construction of small apartments of the cheapest type.

The agricultural section practically realizes the ultimate demands of farmers by removing the maximum of $30 a ton which had been set on the flexible duty on fodder barley and by increasing duties on bran and millet. With this obligation, bakers are allowed to add 30% rye flour to wheat bread. By authorizing the government to force margarine manufacturers to use a fixed percentage of domestic tallow in lard, and breweries a fixed percentage of domestic hops, the decree also reduces present imports of these products.

New Securities Lower Than Year Ago

PUBLIC offerings of new securities in November were less than in any month, except August, since November 1929. Bond flotations totaled $240 millions (New York *Times* compilations), and no stock was offered.

Foreign bond flotations of $16½ millions were lowest since September 1929. Industrial bonds at $8¾ millions were least since December, excepting August. Offerings of public utility bonds totaled $80 millions, fourth lowest month of 1929. Railroad bonds totaled $5.8 millions, lowest this year excepting October. State and municipal issues at $101 millions were the only group to show appreciable totals, November being the fourth highest of the year. This largely reflects attempts to obtain funds for public works to aid unemployment. Miscellaneous issues of $28 millions completed the total.

The weakness of both the bond and stock markets during the month was responsible.

Business Keeps Up Flow of Printing Ink

IN the 5 months of June to October, only 7.2% of union printers were unemployed as compared with 20.7% of all union men. In the same months last year 4.5% were out of work; in 1928, 5.2%. Employment never is 100%.

These American Federation of Labor figures prompted *The Inland Printer* to inquire further to determine if the printing industry really is better off than many think. Reports that it is unusually hard hit have been in circulation.

Inquiries sent to employing printers' associations in 50 cities brought replies from about half. The average of these reports is that business done so far this year is 94.5% that of the same period in 1929, in spite of prices being generally somewhat lower.

Three cities report that they are ahead of last year: New Orleans, 108.8%; Wichita, 102.2%; Indianapolis, 101.7%. San Antonio and Chicago show less than 1% under. Boston, 85.3%, Galveston, 84.1%, Montreal, 78.6%, are the tail-enders.

These facts are evidence that business is not lying down on the job to the extent many have believed. Direct-by-mail advertising is continuing; catalogues are going out as usual. Cuts made by some are offset by increased efforts on the part of others.

Industries Oppose Trade Code Changes

REPRESENTATIVES of 128 industries which have adopted trade practice codes presented their objections this week to the revisions in them proposed by the Federal Trade Commission. The trade body, which feels that many of the rules contravene the anti-trust laws, cannot force acceptance of the changes, it can only withdraw approval of the codes as now constituted.

Counsel for the industries urged that the commission use its trade practice conference procedure to anticipate (prevent) unfair and uneconomic practices, but that it should not anticipate, by disapproving them, rules which were not illegal on their face but which might

result in restraint of trade when in operation. The fact might be, it was declared, that competition could be preserved by eliminating a particular incident in it.

The commission was asked to standardize the form and meaning of its so-called "Group 1" rules condemning practices legally declared to be unfair methods of competition. These concern such matters as commercial bribery and price discrimination and are, on the whole, readily understood. The industries themselves should be permitted, it was urged, to state in their own language "Group 2" rules framed to deal with conditions peculiar to them individually. Such rules, they argued, being informative only and not rules of law, should not be revised or rejected by the commission without a study of the surrounding facts. These rules relate to such matters as shipping on consignment and standardization of product.

Cement Industry Abolishes Much-Abused Dealer's Discount

Lehigh Leads, 70% of Producing Capacity Agrees to Change Marketing Practices

CEMENT producers took a long step toward improvement of conditions in their harassed industry when this week they decided to eliminate the traditional "dealer's differential." Lehigh Portland Cement Co. led the way. Others promptly joined; 70% of the industry's total capacity already is pledged. More will fall in line.

The "dealer's differential," commonly 10¢ a barrel, was all right in theory. In practice, it served to screen many destructive practices. Some of the "dealers" who got it would have been hard put to it if asked to show a store or warehouse, and horribly embarrassed if forced to tell what they did with some of the money.

The average road job calls for 3500 barrels of cement to the mile. In 1928, contracts for 148 million square yards of concrete paving were let, calling for millions of barrels of cement. Scramble for this business made "dealers" out of men who knew little about concrete but much about practical politics. Cases are on record where the "dealer" handled the differential on 50,000 barrels; got only $100 for himself.

Started Direct Buying

In revolt against such conditions many states and municipalities have come to insist on buying cement direct from the producer. Michigan went so far as to build its own cement plant.

Something radical had to be done. Other attempts to stabilize the industry failed. Price-cutting, special concessions, dubious ethics gained ground steadily.

The cut-throat scramble for business was inevitable, because even in good times producing capacity exceeds consumption. In 1924, consumption was 150 million barrels; 14.7% of plant capacity was idle. In 1929, consumption had reached 171 million barrels, and 34.2% of equipment was idle. Plant construction had far outstripped market growth.

So they went after volume. Bids on public works involving open price competition automatically reduced current price levels. With a constantly increasing overhead due to carrying idle equipment and to higher labor costs, the profit margin has been reduced to the danger point. Average selling price at plants dropped from $1.843 per barrel in 1924 to $1.601 in 1929.

—And Direct Selling

Struggling for volume, producers invaded territories where freight rates prohibit competition at a profit. Many disregarded all dealer connections and quoted the consumer direct.

Most of these disturbing practices originated with the smaller producers, but affected all. Earnings of three leading companies reflect the unsatisfactory state of affairs in the industry. Net income of Alpha Portland Cement Co., operating 9 plants in 8 states, dropped 52.4% from $3,814,579 in 1925 to $1,815,018 in 1929. Lehigh Portland Cement Co., with 20 plants in 10 states, in the same period lost 38.4% in sales, while net income dropped 56.2%. International Cement Co. increased its sales by 46.3% while earnings rose only 13.3%.

All this disorganization of price levels and trade practices in the cement industry affected the position of contractors anxious to bid on construction

Acme

BIG STORE'S BIG PARADE

Macy's opens the Christmas shopping season with its annual parade down Broadway on Thanksgiving Day. On arrival at the store, the Christmas windows are unveiled

jobs. They came to contend that where most of the dealers performed no function, they had no right to collect a differential. A single price, contractors said, would greatly improve general competitive conditions in the field.

Seeing the entire distributing structure of the cement industry endangered, anxious to adhere to its announced policy of distribution through dealers only, Lehigh Portland Cement Co. decided on a new plan of marketing. Henceforth Lehigh will sell cement to dealers and contractors at the same price. The "trade discount" or " differential" is eliminated. At the close of the calendar year, and at no other time, dealers will be paid a 5¢ a barrel service payment for cement actually shipped to their warehouses, or on carload orders actually sold at consumer prices for shipment to other points.

Advantages claimed for the new plan: (1) preservation of the principle of dealer distribution; (2) elimination of the waste of paying differentials for no service rendered; (3) incentive to established dealers to build for stability of their cement business; (4) elimination of the break-down of trade practices by weaker dealers; (5) improvement of incentive for dealer service to contractors; (6) lower and more stable basic cost to the consumer.

Although many established dealers of cement and building supplies oppose the new plan, others are enthusiastic, welcome the change. Contractors believe that it will greatly improve their chances when bidding on specific jobs

Makers of Alpha, Universal, Penn-Dixie, Edison, Hercules, Glens Falls, Sandusky, Bessemer, Vulcanite, Superior, Nazareth, Dragon, South Western, Columbia Portland cement, have already fallen in line. International Co. is one of the larger concerns having the matter still under advisement.

House-to-House Canvass Sells Lumber in Tacoma

LUMBER is being sold in Tacoma in a house-to-house canvass by salesmen for the St. Paul & Tacoma Lumber Co.

The Tacoma firm reports that 60% of the home owners so far approached were prospects for improvement work of some kind. So successful has been the campaign in the city that the lumber company is planning to extend the effort to the other communities. Salesmen will be provided with a list of 130 suggested home improvements involving the use of lumber.

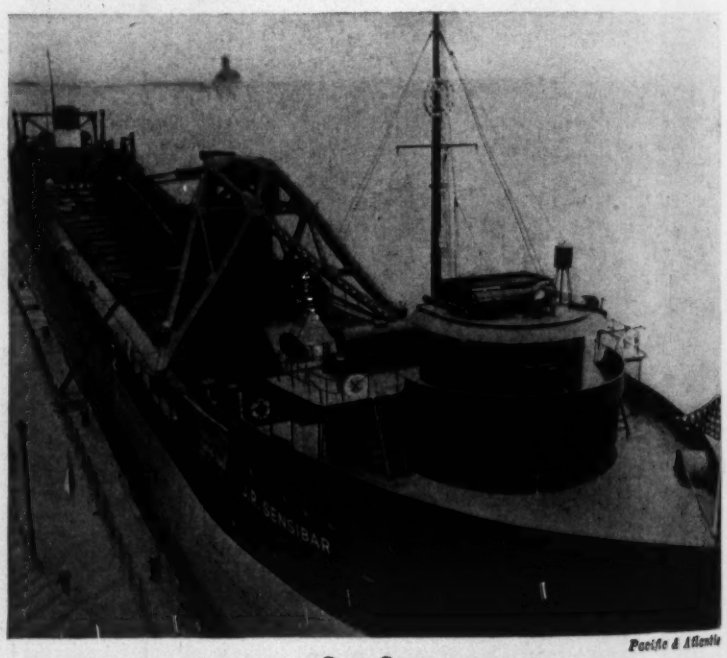
Steel Raises Prices to Drive In First-Quarter Orders

Increase of $1 a Ton Follows Old Practice, Reflects New Strength in Commodity Markets

THE general commodity price trend during the past few weeks, though still on decline, shows unmistakable signs of resistance. In Dun's list the decline for November is less than that for October, 1⅜% compared with 1.8%. The wholesale price index of the National Fertilizer Association records for the last week of November the first upward trend since Sept. 13.

During the current week attention has been focused on developments in the metal markets. An increase in steel prices had been rumored for several weeks past. The first step in that direction has now been taken by the Carnegie and Bethlehem steel companies. Bars, plates and shapes are advanced $1 a ton for first-quarter 1931 delivery. The new minimum price at Pittsburgh is $1.65 for 100 pounds, against $1.60 at present. Similar action is being taken by other leading producers.

The purpose of the price increase is to drive in first-quarter orders at the present price of $1.60. Steel mills have long followed the practice of announcing an advance in quotation prior to the opening of a quarter, then covering regular customers at the old price. The present advance is based on this method, the result being that the market is more firmly stabilized at $1.60 with likelihood of $1 or $2 increase for the second quarter of 1931. It is understood that the United States and Bethlehem Steel Corporations have smoothed out some of their troubles and are concerting their efforts in the price stabilization movement. Last week steel producers held a closed session in New York, at which the United States Corporation, backed by Bethlehem, told independent producers that if they cut under $1.60 the corporation would throw prices wide open for real battle, as it intends to hold customers at any cost. The independents realize the seriousness of present low prices and are not likely to cause trouble. Light rolled steel, such as sheets and strips, is being



Pacific & Atlantic

SAND SHIP

The J. R. Sensibar, named for the president of the Construction Materials Co. of Chicago, is built to suck sand from the lake bottom, drain it, transport it, and pile it 80 feet high or pump it 4 miles

The Business Week

BUILDING NOW

Planned months ago, construction on General Electric's new $1 million tank shop at Pittsfield has been advanced. Mayor Barnes, of Pittsfield, wields the pick; E. A. Wagner, plant manager, the shovel

stabilized at prices at or below production cost with no likelihood of advance until the second quarter of next year. So the first quarter financial reports will probably show little if any profit, and substantial losses in some cases.

In the copper market prices tend to stiffen. Custom smelters now demand 11¼¢ a pound, or only ¼¢ less than the official price asked by leading producers. Second hands are offering the metal at 11¼¢. Responsible for the improvement over last week has been the picking up in demand, which is considered sufficient to take care of the custom intake. The introduction on the National Metal Exchange of the new standard copper contract, permitting delivery of copper from warehouses in Great Britain as well as in the United States is expected to facilitate trading. Heretofore sales were made only for delivery from warehouses here.

The grain markets remain strong, while cotton continues irregular. Of significance is the increase in the world's consumption of American cotton. The October figure, though considerably below consumption a year ago, is the best in several months.

The Farm Board Expounds Its Stabilization Philosophy

THE Federal Farm Board has just submitted to Congress its first annual report for the year ending June 30, 1930.

During the period in question the Farm Board authorized loan commitments to cooperative associations and stabilization corporations to the total of $270,146,555. Of this, $27,487,079 was canceled and $191,811,522 actually advanced; the amount remaining on June 30 to be advanced was $50,847,955. During the same period the principal of $43,195,328 was repaid and interest collected on outstanding advances amounted to $444,517. After providing for the unadvanced portion of commitments, there remained from the Board's original $250,000,000 revolving fund a balance of $50,980,368 for new loans.

Of the total loans advanced, $90,000,000 went to the Grain Stabilization Corporation; the balance was distributed among the following cooperative associations: cotton, $58,379,525; grain, $17,911,677; grapes and raisins, $8,175,401; wool and mohair, $6,442,707; dairy products, $5,580,735; citrus fruits, $2,207,370; livestock, $1,715,142. Other marketing associations received smaller amounts. On June 30 the Board granted the Cotton Stabilization Corporation a loan of $15,000,000 for marketing operations in cotton.

Board Action Explained

The Board explains its refusal to enter the grain market at the outset of the crop year 1930-31 on the ground of the great increase in wheat supplies. Further purchases would have caused congestion at terminals and restricted supplies for export and feed. "Merely taking more wheat off the market and holding it could not long prevent such declines in price as were justified by conditions then existing, and would have had numerous undesirable consequences, including the further accumulation of stocks at a probable loss to the public treasury."

The Board states that a major stabilization operation with a commodity such as wheat requires substantial accumulations in order to have any influence on the market. Such accumulations, however, have a depressing effect on prices. The mere announcement that the holdings will not be put on the market is not sufficient to bring assurance. Purchases in the cash market alone can not uphold prices and they throw cash prices out of line with the futures. It is, therefore, necessary to buy future contracts. But here again difficulties arise when one option falls out of line with the cash market and other options. Another serious matter in stabilization operations is the storage problem because of limited facilities.

Farm Board activities are criticized in the New Orleans' annual report, which disapproves governmental interference with the cotton market and calls for amendment of the Agricultural Marketing Act. On the other hand, the representatives of national farm organizations at a meeting called by Senator McNary, chairman of the Senate agricultural committee, have agreed not to demand any revision of the Marketing Act during the present session of Congress.

Demand for the control of short selling on grain and cotton exchanges has revived. The Senate has already passed a resolution authorizing an inquiry into the decline in cotton during the past 5 years to determine the effect of short selling on prices. Similar action must be taken by the other house before the investigation can start, as the measure is a joint resolution.

Expect 1930 Dividends To Exceed 1929 Total

DIVIDENDS paid to investors through November have gone 12% above the comparable total for 1929. December declarations are usually the largest of the year. So it now appears highly probable that 1930 will be a bigger dividend year than 1929.

Funds released by corporations in these payments so far this year total $4,414 millions according to New York *Times* compilations. If December's outlay goes to or above $500 millions as expected, 1930's total should hit far ahead of 1929's dividend payments, $4,488 millions.

November Brings Turn

But the picture is not entirely favorable. After seeming immune to the depression, largely because of accumulated corporate surpluses and the increased amounts of stock outstanding this year, dividend payments reacted sharply in November when their total, $483.5 millions, fell below the November, 1929 record. This was the first month of 1930 to suffer in a comparison of that kind. And 9 of the 15 industrial groups for which payments are compiled paid in November, 1930, a smaller dividend total than in November, 1929.

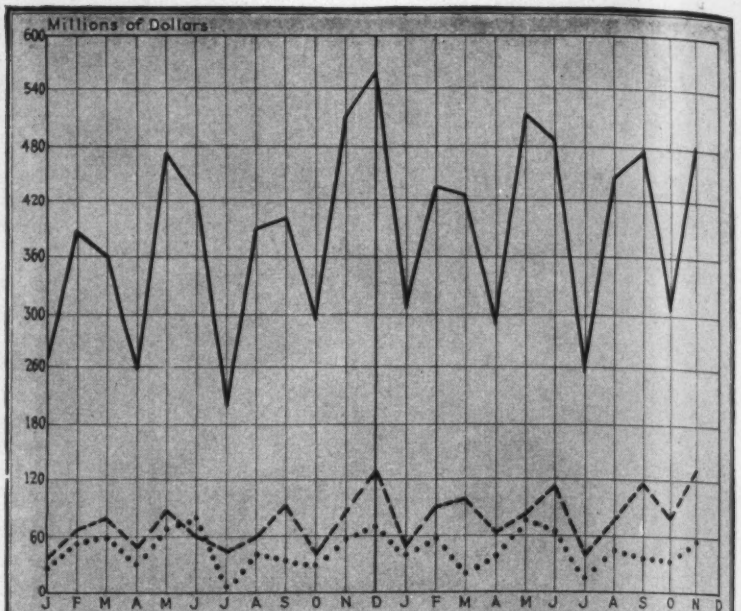
The accompanying chart shows the movements of total payments for the past 2 years, also for 2 important subdivisions—railroads and public utilities. The regular sharp decline in these payments every third month is an interesting feature.

Custom and tradition alone seem to account for it.

Some Percentages

For the first 11 months of the year 10 of the 15 industrial groups for which figures are available exceeded last year's payments. Listing these groups with total payments this year in millions of dollars and percentage change from the first 11 months last year shows: Banks and insurance companies $248, +53%; chain stores $106, +10%; food and packing $233, +38%; motor equipment $59, +4%; oil $438, +3½%; public utilities $941, +34%; railroad equipment $51, +17½%; steels $182, +1%; tobaccos $89, +11%; miscellaneous corporations $1,076, +4½%.

The groups showing decreases included: Coppers $162, —29%; department stores $26, —1%; mail order houses $22, —16%; motors $207, —5%; and railroads $467, —3.3%.



New York Times Figures

DIVIDEND PAYMENTS BY MONTHS, 1929 AND 1930

The upper, solid line shows totals; the dash line, public utilities; the dotted line, railroads

Progressive Companies Find Ways to Lessen Unemployment

Advance Planning, Intensive Selling, Construction Programs Keep Jobs Going When Jobs Are Scarce

IN replying to *The Business Week's* unemployment survey, reported here last week, many companies wrote that they had established various relief measures which were not fully covered in the survey. Most of those described are practical, could easily be adapted to fit the needs of many plants, and should offer valuable suggestions to those managements still dissatisfied with their accomplishments in stabilizing employment in their own organizations.

Dennison Manufacturing Co., Framingham, Mass., has adopted 6 stability measures which have been so effective that drains on its unemployment fund, established at the same time, have been unimportant. Demands on the fund during 1921 were 10 times greater than at any time before or since, but even then the total sum paid out in unemployment relief was but 0.7% of the annual payroll.

Dennison's 6 stability measures are: (1) reduction of seasonal orders by trained salesmanship; (2) increasing delivery time on non-seasonal orders; (3) planning holiday and stock items at least a year in advance; (4) planning interdepartmental needs well in advance; (5) developing out-of-season items to balance total demand; (6) distribution of long-time orders and out-of-season items throughout the year. With 9,000 items in its line of goods, among which about half are made-to-order goods, the problem which Dennison has successfully solved appears to be at least as difficult as that found in the average business organization.

The Walworth Co., Boston, Mass., by careful market and customer studies followed by an adequate budgeting and scheduling plan, has been able, during the last 4 years, to estimate its total sales for a year in advance within 5% error, which has resulted in a reduction of the variation between high and low points of employment from 67% to 7%—a noteworthy achievement in employment stabilization.

A great deal of construction work,

plant repair, and maintenance is being used to provide employment for shop men until production activities pick up. The Tidal Refining Co., Tulsa, Okla., is carrying on about $500,000 of construction work now; plans to spend from $750,000 to $1,000,000 in 1931 in refinery and pipe line construction. Trumbull Electric Co., Plainville, Conn., has spent about $50,000 in rearranging its departments, overhauling heating and plumbing equipment, painting, and generally putting the plant in good shape for returning activity.

Maintenance Jobs Help

The Buffalo Foundry & Machine Co., Buffalo, N. Y., has spent $200,000 for building additions, new tools, and for repairs to buildings during the last few months. National Iron Co., Duluth, Minn., is carrying on building repairs and additions with skilled shop labor. Farrel-Birmingham Co., Buffalo, N. Y., has been constructing an additional floor to its office building during the dull period. Celluloid Corp., Newark, N. J., expects to find work for 10% of its employees working half-time on salvage, maintenance, and clean-up work during the next 4 months.

Hamilton Coke & Iron Co., Hamilton, O., has not reduced its force at all, is using regular operators for major repair work while parts of the plant are idle. Traverse City Canning Co., Traverse City, Mich., has a 2-month period of activity at best, but it has advanced a plant construction program in order to keep its employees at work. Durkee Famous Foods, Inc., Berkeley, Calif., has a $65,000 plant improvement program under way. The West Fork Logging Co., Tacoma, Wash., another highly seasonal industry, is carrying on more construction work than it ordinarily would to provide unemployment relief.

Jones & Laughlin Steel Corp., Pittsburgh, is using 2,000 men in the construction of new mills and in plant improvements. Union Twist Drill Co., Athol, Mass., is designing and building new equipment and is employing regular operators in the work.

Reduce Prices

Two companies — Endicott-Johnson Corp., Endicott, N. Y., and Bradley Mfg. Co., Columbus, Ga.—report that they have reduced prices on many of their products primarily to stimulate demand to provide more work for their employees.

The Celluloid Corp.; Westlein Bros. Pure Food Co., Grand Forks, N. Dak.; The Spokane Gas & Fuel Co., Spokane, Wash., have told their employees that no further cuts in personnel or wages are intended, thus relieving the workers of an overpowering fear which undoubtedly has serious effects upon workmanship.

Married Men First

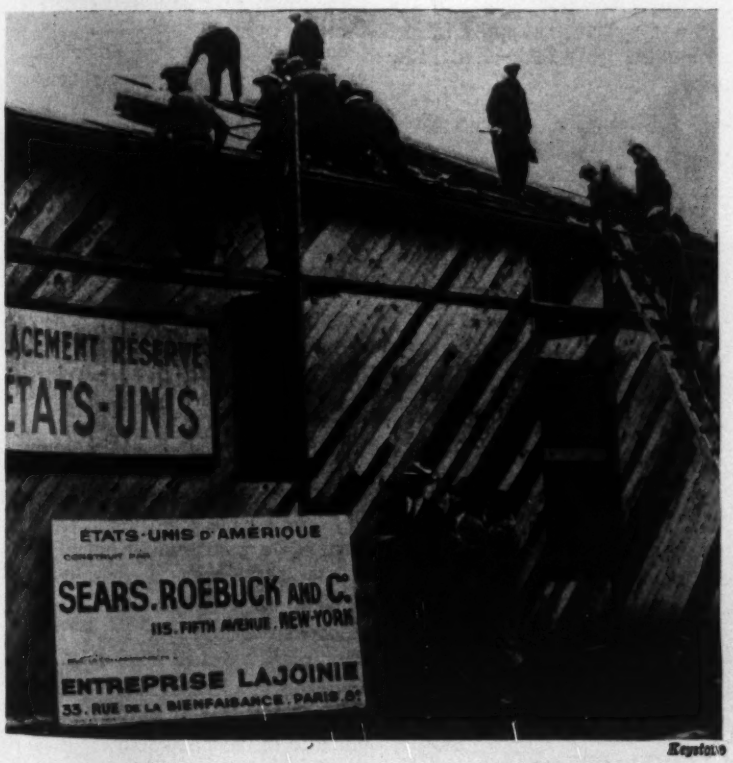
The Tidal Refining Co. has promised all its employees with more than 1 year of service a job with the construction projects the company has under way. Preference will be given to married men or men with dependents. Supervisors have been asked to warn employees against loan sharks.

The Celluloid Corp. has a relief fund which will be used to relieve want among company employees if necessary. The American Multigraph Co., Cleveland, Ohio, makes an effort to secure other work for employees it must let go because of lack of work. Barnsdall Oil Co., New York and Tulsa, is trying to protect married employees, especially those with families. It is not employing married women nor keeping in its employ married women whose husbands are working.

New Products, Repairs

Miscellaneous measures of various sorts were reported. The Sun Rubber Co., Barberton, Ohio, is increasing its stock of finished goods; H. J. Heinz Co., Pittsburgh, is increasing sales and advertising activity and has developed 2 new products this fall. The Big Vein Coal Co., Indianapolis, reports it has been operating its mine at a great loss to keep its organization together—incidentally its payroll now is the same, 115, as a year ago. Eastern Machine Screw Corp., New Haven, Conn., has instituted a repair policy on die heads which it manufactures whereby customers are urged to return them to the factory for repair during the dull period. Considerable work and employment have been developed in this way.

Possibly the best summary of all the methods described is contained in the report sent in by the general manager of Battle Creek Foods Co., Battle Creek, Mich. This company has the same payroll now as a year ago, is working full time, has not reduced wages, expects to maintain them and, in general, appears to be operating normally. And the whole story behind this somewhat unique industrial achievement is, according to the general manager, "Work like Sam Hill."



Keystone

American Materials, French Workmen

Watching the construction of the American building at the French Colonial Exposition are G. Meissner, of Sears, Roebuck, Charles K. Bryant, and Mary Wellborn of the American Commission

Specific Things Done By Specific Institutions

NORTHERN PACIFIC RAILROAD will start at once a $4½-million freight car building program, will build 3,000 cars in its shops from St. Paul to the Pacific Coast. It will add 600 men, will increase its annual payroll by $1 million, will give added employment to workers in lumber, steel and insulation.

Ralph Budd, president of Great Northern Railroad, has assured his 25,000 employees their jobs are secure for the rest of the winter at least.

United Shoe Machinery Co. has adopted a 5-day week by closing Mondays.

W. K. Kellogg Co. of Battle Creek has adopted a 6-hour day with corresponding wage increase of 12½%; has been operating 3 8-hour shifts daily; will now use 4 6-hour shifts, will provide employment for 25% more men.

International Harvester Co. makes loans to regular employees without interest; to be repaid in instalments when employee returns to work.

How Many Unemployed? Everyone Is Counting

COL. ARTHUR WOODS has induced the Metropolitan Life Insurance Co. to undertake a sampling census of unemployed in 40 cities. A similar survey in 1915 was so successful as to create considerable confidence in the method used.

Meanwhile, relief agencies in various cities have started work by sizing up their jobs. Here are some of their figures:

Unemployed in New York city number 300,000, according to Thomas W. Lamont; in Philadelphia there are 140,000 to 150,000; in Cleveland 60,000; San Francisco 21,000; Los Angeles 41,000; Omaha 5,000 to 6,000; Denver 20,000 to 30,000; Seattle 10,000; New Orleans 16,000; Houston 10,000; Chicago 200,000 unemployed, 125,000 registered; Minneapolis 20,000 to 30,000; St. Paul 45,000 to 50,000; Detroit 100,000; Pittsburgh 30,000; Cincinnati 12,000; Salt Lake City 4,000; Duluth 4,000; California 173,000.

Danville Strike No Help To Southern Textile Cause

DISPATCH of a regiment of militia to Danville, Va. by Governor Pollard, may mark the last stages of the battle being waged there between the United Textile Workers of America (and organized labor generally) and the employers of the South represented by the management of the Riverside & Dan River Cotton Mills. Trouble started last winter when a wage reduction sought by the management was first accepted by the company union and later repudiated by the employees as a whole (*The Business Week*, Feb. 12, March 19).

Organized labor, looking for a chance to break the non-union ranks of southern industry, jumped into the breach; began an especially active campaign for membership. At the Boston convention of the American Federation of Labor, this dispute was singled out for special attention, given campaign funds and wholehearted approval and, apparently, is being considered the focal point of organized labor's Southern campaign.

No Strike Breakers

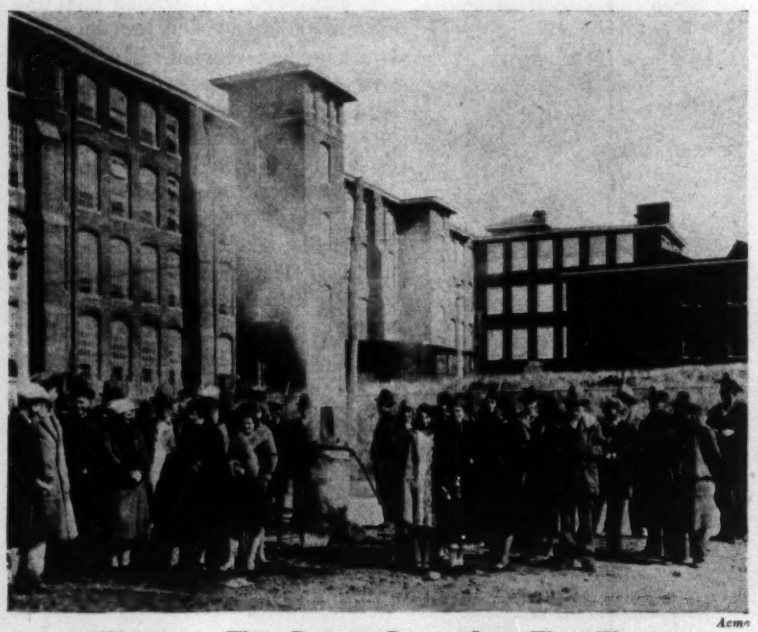
There followed long bickerings between union and non-union workers; the number employed in the mill dwindled from 4,000 to about 1,500; a strike was called by the union on Sept. 29. The mill sought no strike breakers but continued to operate with those of its employees who wanted to work. The number returning to work has steadily increased until now there are reliably reported to be as many at work as when the strike was called.

Early weeks of the strike were quiet, with moral suasion being chiefly employed to keep workers out of the mill. Recently, feeling has grown more intense; shots have been fired; a house or two has been dynamited; a few street cars filled with workers have been tipped over. And local authorities have appealed to the governor for assistance, much to the disgust of union leaders, who declare it to be quite unnecessary.

Union the Issue

Many liberal minded persons fail to see the justification for this strike. The president of the mill, H. R. Fitzgerald, is a leader in modern textile management. Wages paid were well above current levels, mill and housing conditions were unusually good at Danville; the plant has never been operated at night, despite severe competition. In fact the only thing to be said against the management from a personnel relations viewpoint is that it did too much for its workers; was, perhaps, too paternalistic in its actions and, most important from trade union standpoint, operated that union *bête noir*, a company union.

These facts indicate that the battle is almost entirely for union recognition; that organized labor selected this well known plant so that a victory, if gained, would be of so much more importance in their Southern campaign. If they lose, however, which seems not impossible now, it is likely to have rather disastrous effects upon the extension of union influence through the South.



Acme

WHAT THE WELL-DRESSED PICKET LINE WILL WEAR

Union leaders picked the Riverside & Dan River Cotton Mills, noted for uncommonly considerate treatment of personnel, as a soft spot in the Southern textile wall. Now, the militia is in town

NOTHING COSTS SO MUCH AS FAILURE

IT is the customary and seemingly prudent thing for business to seek to "limit its losses" in times of depression.

But don't forget that you can "sweat" the punch out of a business organization no less than out of a prizefighter.

There might be neither point nor timeliness to this warning if at the moment *all* business in America were bad.

But all business in America *isn't* bad by a long shot—*on the contrary a host of businesses today are driving ahead full tilt to record sales and profits!*

IF you are naive enough to think that Prosperity can be conjured back by political fiat, organized hoping, or Providential grace — go ahead, have fun.

In the meantime if you want your business to march abreast with that sound and successful fraternity mentioned above there are these simple things to be done:

See to it that your goods honestly measure up to the times—in style, value, quality, utility.

See to it that your sales energies are planned to *do the job,* not merely keep within the budget.

See to it that your advertising is bull's-eye in aim, sure-shot in appeal, siege-gun in *amount.*

THE SATURDAY EVENING POST knows something about that prescription because it is taking it.

And it is going steadily ahead in these times as for thirty years past, at its average rate of an additional hundred thousand readers every year.

It offers alert American business a success-paved avenue to the minds and pocketbooks of the sanest, soundest, richest *three million* families in the world.

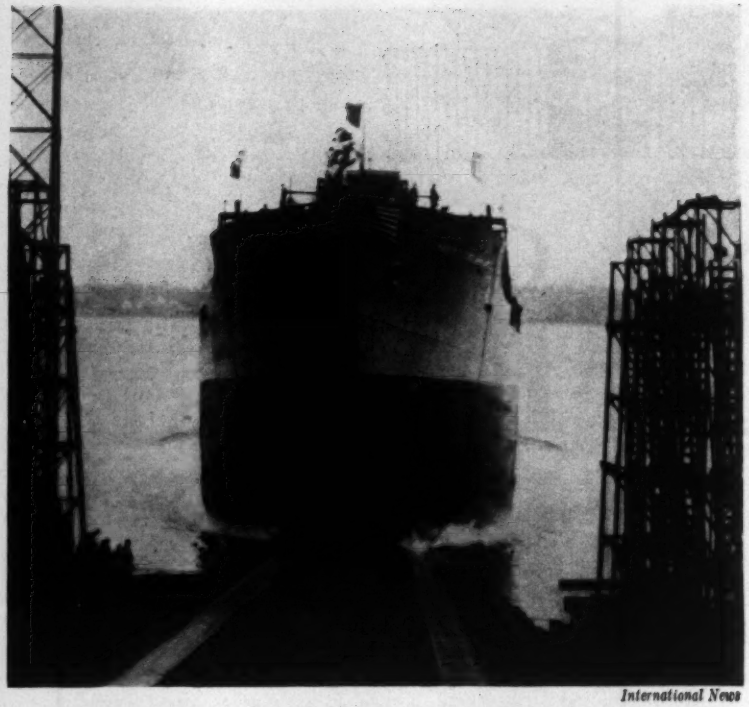
You can't buy its values elsewhere; if its cost as an indispensable part of any bigger-business-program right now should worry you, remember this:

Nothing costs so much as failure!

THE SATURDAY EVENING POST

"AN AMERICAN INSTITUTION"

THE CURTIS PUBLISHING COMPANY INDEPENDENCE SQUARE PHILADELPHIA



International News

DOWN THE GREASED WAYS

The Harry F. Sinclair, Jr., is launched at Fore River, Mass. The new tanker cost $1 1-2 millions, will join the Sinclair oil armada

Stock Exchange Grabs a Bear By the Tail, But Lets Go

Mr. Pope of Mississippi Vindicated on Trial Before the 42 Governors—Because His Figures Were Right

JOHN POPE of Mississippi was a broker's statistician. They said of old and ever repeat that Princeton youngsters become runners, Yale youths customers' men, and Harvard neophytes statisticians. In any case it was at the Harvard School of Business Administration that this scion of the plantations was initiated into the higher criticism of arithmetic, the art and science of accounting.

He was so shy that the runners would have bullied him, so silent that the customers' men would have thought him a dolt. The stenographini decided he was a grind, a greasy grind. But the partners knew that he was a statistician of amazing talent, a new sort of statistician. He was infallible.

So it was that speculators who could buy 50,000 shares in a day sought out the imperceptible Pope in the only quiet room in the great office, the library. And so it was that before he was 30 young Pope was worth to his firm twice or thrice what the firm, under the rules, could pay him, for the limits of salaries in Stock Exchange houses are justly and properly regulated by the Exchange. He was forced to become a member.

The entrance formalities were trying, he confided to intimates. It was strange, even though it was admittedly legitimate, to be asked whether there had ever been any insanity in one's family.

Throughout the long bull market the young wizard had sought bargains to buy. He had found them. His following was small in number of speculators but immense in number of shares. It was also a highly confidential following. He wasn't a mixer. He was a family man from Riverside Drive. He sat late of nights in the deserted library of charts and graphs and tables. But aside from his powerful influence over other men, Pope was something else which is highly unusual among members of the Stock Exchange. He was a self-made multi-millionaire. And he was 31 years old.

The great turning point of his career was when he was right in his calling of the date of the break of the bull market. He had been calculating it since 1927. Before September, 1929, he was the possessor of Liberty bonds, and Liberty bonds only. He was out of the market. So were the fascinated members of his little flock. He had convinced them again. The event augmented his prestige almost into a superstition.

The Greatest of Bears

Small wonder, then, that the new situation brought him a doubled importance in the market. He had been the cleverest bull, he had found the best bargains to buy. Henceforth he would seek bargains to sell. He became the greatest bear in the Street. And it was just here that the Pope Affair got started. It was morally, socially, politically, and esthetically bad to be a bear; it was also damaging to the reserves of great institutions and firms and individuals. But it was statistically sound and practically glorious.

In rapid succession of success the Pope School of action raided, deflated, punctured, destroyed several of such of the more monstrous examples of overpriced stocks as could easily be borrowed in very large quantities. He took on about one a month. His staff of assistant statisticians was worked to nervous prostration. Then the gifted Mr. Pope fell into a very bad habit, a habit to which all intellectual men are especially susceptible. He got to writing.

His Letters Win Fame

To shorten a most dramatic story. The Pope letters became famous overnight. They were bandied about with all the publicity that always attaches to the most secret and confidential communications. If 56 friends got them through the post, 870 speculators got hold of them. They weren't much to look at. A covering letter submitting a little special study of the situation of a certain company, sent in strictest confidence, in the hope, perhaps, that the recipient might have some corroborating or dissenting ideas to offer in exchange. Then some 20 or even 40 pages of tables and graphs and charts and a very little prose which sounded as if it had been ever so carefully gone over by a libel lawyer.

The inevitable upshot was not long in coming. It required only an incident

to precipitate a scandal. There could certainly come no complaint from brokers, for in a dull market a man like Pope was a godsend. He made trading. Nor from the public. There wasn't any public left. Who then were his opponents? Necessarily they were the great Powers, those unhappy institutions and firms and great individuals who had been caught with shaky companies on their hands after the collapse. It was surer than fate that some very large "interest" would try to get Pope.

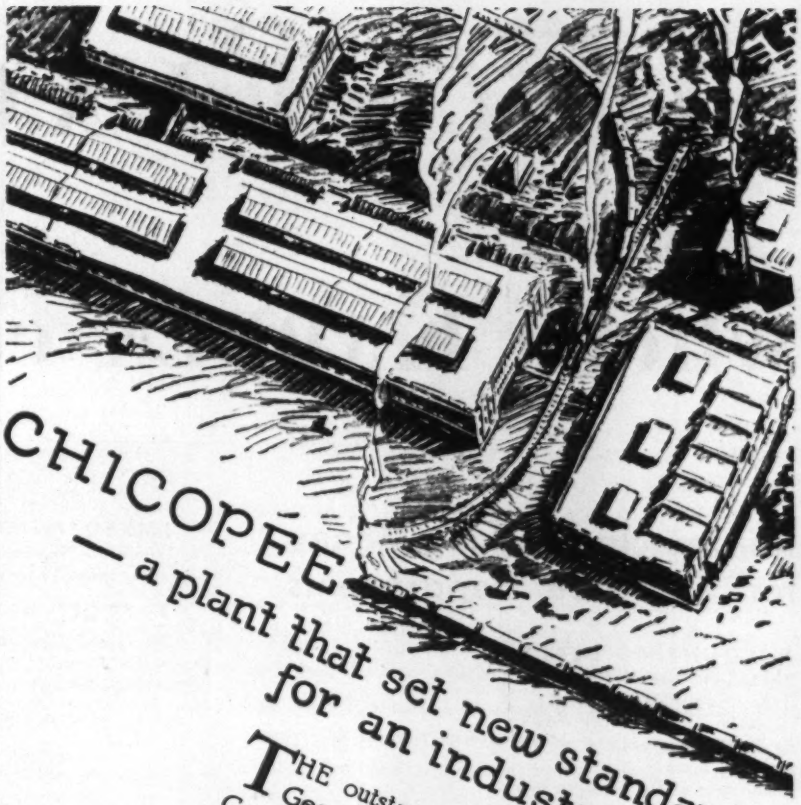
One Luckless Stock

And that is what happened. There was, and is, a company, a large company with a lot of widely distributed shares which had had literally no luck at all. Every kind of accident had overtaken it. Beginning with one physical accident, an entirely fortuitous bit of bear background. Its turmoil became famous but its stock remained pretty high. The Pope staff of laboratory workers attacked its published reports with a zeal such as only the cleverest and highest paid young talents in all Wall Street could gratefully show to an adored master. As luck would have it they made a terrible discovery. The company's official reports of earnings were in contradiction with themselves. The report of earnings put out through the Stock Exchange, a solemnly obligatory rite, was not identical with the report issued by the company to its own stockholders. An oversight, doubtless. But what an oversight! Such a find was unparalleled. Mr. Pope diagnosed and rediagnosed. It was conclusive. It was a fact. And it became the subject of the Pope letter for that month.

Then Formal Complaint

What happened to the stock is history. The damage it did to a private firm which is a member of the Stock Exchange is rumor, conjecture, legend. The explosion of wrath from a rescuing institution may be nothing more than an hypothesis. But that is the story everybody believed and there was nothing scandalous about accepting it, for if these gentlemen were angry they had quite a right to be, for they hadn't been doing the bookkeeping of this unfortunate company.

A formal complaint was lodged against Mr. Pope with the Business Conduct Committee of the Stock Exchange. Charges were brought under Section No. 4 of Chapter XIV of the Constitution, a document which dates from 1817 and which has been amended, revised, codified only once



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—a plant that set new standards for an industry

THE outstanding thing about the Gainesville, Georgia, plant of the Chicopee Manufacturing Company is not its size, which is impressive, nor the 40,000 spindles on one floor, nor the fact that it was designed for low building maintenance over a long period of time, nor that its equipment is the most modern obtainable, but rather that all these have been combined to create a unit of unique efficiency where the flow of production is in a straight line.

In each step of manufacture the best standards have been adopted and applied. Living and operating conditions are unsurpassed and beauty has been incorporated into the industrial village.

From every standpoint—buildings, equipment, management, labor conditions, housing and social co-operation, we believe Chicopee is as fine a cotton mill as exists today.

J. E. SIRRINE & COMPANY
Engineers
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Kardex Now Making Money for all these Departments

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Stock record
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Rate records
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CREDIT DEPT.
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Central Authorization index
Customer's Number Index and Black List

ENGINEERING DEPT.
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Budget and Commitment record
Clearance date file
Rate record
Indexes to Drawing, Blueprint, Pattern, Tool, Die, Specifications and other records

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Departmental Expense and Personal records

PAYROLL DEPT.
Employees' Time and Earnings records
Payroll Control
Savings and Investments records

PRODUCTION DEPT.
Estimate and Sales record
Progress record
Delivery follow-up
Machine and Commodity Production records
Rate record
Tool and Die records and requisitions

PURCHASING DEPT.
Commodity and Purchase record
Quotation record
Purchase Order and follow-up

SALES DEPT.
Customers' Departmental Sales record
Lay-Away records
Sales Analyses by Customer, Territory Product and Salesman
Prospect record

SHIPPING DEPT.
Customers' Route record
Route and Rate record
Pending Shipments
Transportation and Customers' Claims

STOCK CONTROL DEPT.
Stock records
Purchase card, reserve stock, future shipment, back orders, disbursements and control record

TRAFFIC DEPT.
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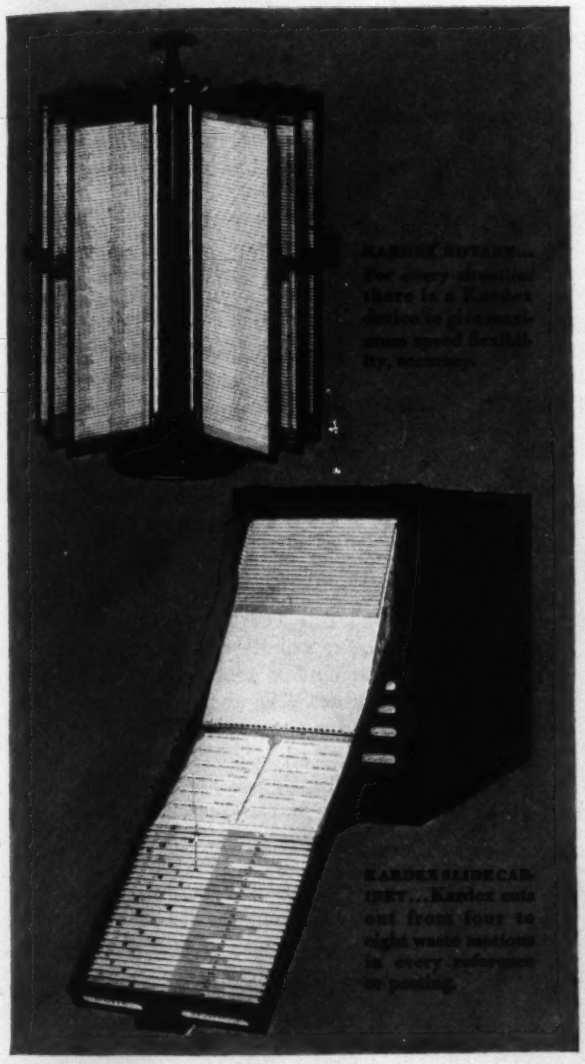
Any BUSINESS *Quick* SAVINGS



OUT in the Middle West a department store spent $50 on Kardex...experimented on stock control. Saved $3,000 in a year.

A small importer tried Kardex in his sales department. In two weeks it produced more than enough new business to pay for itself.

A dress manufacturer turned to Kardex for help on credits and collections. Says it has made $50,000 for him.

The fact that you are not an importer, a dress manufacturer or a department store man makes no difference. Right now, Kardex is saving and making money for other men in your line of business.

Kardex is a visible method of control. It tells you what to do and when to do it. It brings facts and figures out of hiding...unscrambles them. With Kardex, the eye can do in one second what fumbling fingers took minutes and hours to accomplish.

It isn't a ready made affair. It is adapted to fit your business, your department. Among the thousands of Kardex installations in this country, rarely will you find two alike.

If Kardex cannot save or make money for you, the Remington Rand man will tell you so, frankly. If it can he will show you how. And the installation can be made without interference with your daily operations. In many cases it is purchased out of current expenses and the savings it promptly effects.

Read the list of Kardex-speed operations on opposite page. Then, briefly indicate on coupon below, the department or problem in which you are most interested. It will bring you practical money-saving suggestions...without obligation.

REMINGTON RAND BUSINESS SERVICE,
Buffalo, N. Y.
In the following department (or problem) show me how Kardex could save money—

Name _____
Title _____
Company _____
Address _____

Business Service

EXECUTIVE OFFICES . . . BUFFALO, NEW YORK

Sales offices in all leading cities

since, a few years ago. The chapter deals with "Miscellaneous Prohibitions."

Section 4 intones: "The circulation in any manner of rumors of a sensational character by a member, in any case where such act does not constitute fraud or conduct inconsistent with just and equitable principles of trade, is an act detrimental to the interest or welfare of the Exchange. Members shall report to the Secretary of the Exchange any information which comes to their notice as to the circulation of such rumors."

Not Crystalline Prose

The modifying clause in the first sentence does not strike the lay reader as very clear prose for the constitution of a body which employs expensive legal talent. One is inclined to suppose that it means in ordinary language "even if the act does not constitute fraud" etc., the assumption perhaps being that fraud, etc., will be dealt with elsewhere under another clause.

The 6 gentlemen of the Business Conduct Committee spent a great deal of time over Mr. Pope and some time with Mr. Pope. Because they are a sort of grand jury which brings indictments, their proceedings are more than usually secret. In any case, they decided to prosecute, which is a very grave matter indeed. Until last Thanksgiving Eve no prosecution of the Business Conduct Committee had ever failed. Knowing this horrendous precedent, Mr. Pope asked for time to prepare his case well before the governors should sit upon it. His request was granted.

At his trial before President Richard Whitney, Treasurer Warren B. Nash, and the 40 governors, Mr. Pope appeared, obligatorily without professional counsel. An accused may call witnesses but he may not have a lawyer. The Business Conduct Committee played the role of prosecuting attorney in the case.

Pope Before the Doges

The scene was not without solemnity and to timid Mr. Pope it must have been awe-inspiring if not hair-raising. President Whitney has a dignity beyond his years. The 40 leathered chairs in semi-circular curves are down steps in a sort of well which sinks from the polished walk at the edge. The largish rectangles of oil portraiture of past presidents are of an impressiveness of pose and mediocrity of rendering that connote a serious tradition. The woodwork is polished only to a decent, shineless finish. No telephones ring and the thick doors are guarded by solid grey men. It is the purity of a Senate with just a dash of Racquet Club. The tribunes of finance are idiomatic men. Their right hands are not of oratory and they are not thrust into the frock-coat of statesmanship.

Mr. Pope Goes Shooting

What passed in that session between the gentleman from Mississippi and his judges was not and never will be officially reported, and it would be the height of impropriety to relate an unofficial version. One can properly speak only of the defense, for no court in the world has ever held a culprit to the secret of his own guilt or innocence. And such evidence as Wall Street here has is indirect, for John Pope, acquitted, went to a train for Mississippi at his leisure without statement, interview, denial, confirmation, or comment. After all, the Popes have never been trash and it was the taste of the descendant so to behave. There will be no memoirs of this brief but tragic affair.

This much is known. Mississippi came out of the situation with an enhanced reputation. Mr. Pope organized a documentary defense that exists today in 43 copies which may historically be published one distant year. For from the moment of his first summation before the business conductors this little man showed that he was a genius. His staff had worked from dawn till dawn again. The lights at 120 Broadway never took leave of the scene of bending slide-ruling men and shifting mazes of figures. The master of statistical hounds had out his whip. The conclusions of his arrayed columns prevailed. He was right. He had proved his difficult case. There was a contradiction in the two reports issued.

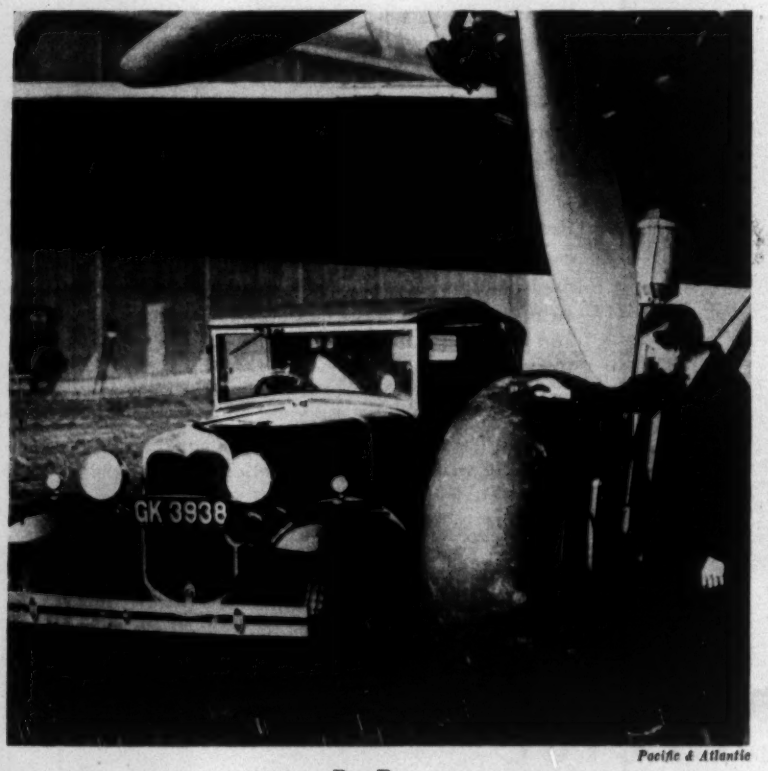
He Must Go Free

What could be done about it? Well, that must wait; that was not his fault anyway. He must go free. He must not be disgraced. He had already suffered enough for an innocent man. He had certainly gone through hell, the eyes of the whole Street upon him, his followers in doubt, his friends alarmed, his folk dumbfounded. His detractors really owed him an apology.

* * *

Two facts of the suite of consequences will be intently and widely observed. They are:—

1. Will Pope sell his seat?
2. Will the Stock Exchange publish—



Pacific & Atlantic

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BIG tank truck bodies, washing machines, gasoline pumps, water heaters and meter covers . . . hundreds of different products . . . have been reduced in cost.

Here's a single example . . . one out of eighteen taken from the YPS book "Adventures in Redesign" . . . YPS Engineers redesigned the base of an air-compressor pump with these results: Increased strength . . . weight reduced from 82 pounds to 65 pounds . . . shipping costs reduced . . . breakage eliminated . . . no more scrapped parts . . . better appearance . . . attractive savings in costs.

Isn't it possible that some parts of your product could be Pressed from Steel? If so . . . like many other manufacturers . . . you can make surprisingly attractive reductions in your costs.

Without the expenditure of a single dollar . . . without the slightest obligation . . . you can take advantage of the YPS Cost Cutting Service. Send for a copy of the FACT book today. **Pin the coupon below to your business letterhead.**

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or force the publication of, the rectified earnings figures?

It is hard to guess. Should Pope sell his seat soon, it might be said of him in Mississippi that he lacked the family courage; in Wall Street that he was getting out to be the freer to exploit a predatory if a brilliant genius. The publication of the new figures by the Exchange governors would be a terrible if an honorable admission. They are honorably capable of doing it if any men are.

A Subtle Ruling

But the great question is not there. The real issue is invisible to small minds, and even stockbrokers may have small minds. A hint of it came out, though. At the height of the affair one day there appeared in the press a tiny communicated line about the order that had gone forth from the Exchange that hereafter all market letters or circulars whatsoever put out by member houses must be sent to the Exchange's Committee on Publicity. Significantly, but delicately, and within a sagacious tradition worthy of the Vatican itself, there then appeared another tiny note that this action was not to be interpreted as a censorship. Why? Because the letters or circulars would have already left through the post to their addressees! It was a matter of record only. A touch of Vatican subtlety of which the Broad Street institution may well be proud.

A Precedent Set

The Pope decision made a precedent on Stock Exchange censorship. Since stock markets became great public affairs it has been held by courts of law that men may express their opinions about securities freely. The function of favorable comment is to provide advantageous investment, of unfavorable to warn against loss. Things may rise too high just as they may sink too low.

The Pope decision opens the field to members of the Exchange in their advice to customers. The precedent could be destroyed by an amendment to the constitution. But that would make the Exchange a radically different place, so that such a change would have to arrive gradually.

John Pope is on a Mississippi plantation. His prestige has been enormously boosted by victory. Upon his return a giant clientele will beat on his door. The famous letters, if he writes any more letters, will be in greater demand than ever. Even a wizard's shyness may fade, as Einstein's has. The Racquet and Tennis Club may get Pope yet.

North German Lloyd

ERNST GLAESSEL

The director of North German Lloyd who wants to scrap 600,000 tons of Lloyd-Hapag ships, replace them with 500,000 tons, giving employment to 30,000 workers for 5 years

Bankers Urge Control of World's Gold Reserves

GOVERNOR HARRISON of the New York Federal Reserve Bank ended his circuit of the central banks of the chief European countries, carried out in a thickening atmosphere of rumor and discussion, by being a co-actor in a mystery drama in Cherbourg harbor on his return voyage, along with Governor Montagu Norman of the Bank of England.

Just as the *Bremen* prepared to leave Cherbourg harbor for New York, and while reporters and special guests descended to lighters to return to shore, Governors Norman and Harrison were seen hurrying from the salon followed by Governor Norman's baggage. A few minutes later the dignified Britisher was hastily trans-shipped by rope ladders to the *Majestic*, homeward bound.

The press declared that Mr. Norman had been recalled by wireless when his secret visit to the United States became known in London. Governor Norman denied. Governor Harrison refused to comment. Europe is more interested in what the central bank conferences have accomplished.

Recent speeches made by Sir Josiah Stamp, Lord D'Abernon, Mr. Goodenough of Barclay's Bank, and Sir Charles Addis of the Bank of England, as well as Gates McGarrah, chairman of the International Bank, in this country, are helping to focus public attention here and abroad on the gold problem. Stamp went so far as to say recently that if failure to deal with this problem results in a further decline of 20% in world price levels a complete collapse of all contractual relations between debtors and creditors, public and private, would be inevitable.

No "Gold Famine"

Conservative European business opinion is that any such catastrophe is how improbable, or at least would not be due to any inadequacy of gold reserves. It is pointed out that with present world prices on the average about 20% lower than a year ago and world production and trade volume about 10% lower, there has been an effective increase in the relative amount of gold available for financing the world's business as a whole. Since the total amount of gold in the world was estimated at the end of 1929 at $21 billions, of which $12 billions represented monetary gold reserves, the decline in prices and in trade volume has resulted in adding the equivalent of $4 billions of new gold to the monetary reserves of the world during the past year—or about as much as all new gold produced during the past ten years. In other words, so far as the world's monetary gold supply as a whole is concerned, the basis exists for restoration of last year's price levels and volume of world business, and further decline due to gold famine is unlikely.

What Europe is most interested in is correction of the obvious maldistribution of existing gold reserves, which is felt to be the real problem requiring international cooperation for solution.

The maldistribution of gold reserves is roughly illustrated by the fact that at the end of 1929 they were $33 per capita for the United States, $40 for France, $30 for Switzerland, $8.5 for Germany and Italy, $3 for Czechoslovakia, $2.5 for Poland, $41.5 for Argentina, $35 for Uruguay and $4.5 for Brazil, as compared with a world average of $8.5. Although the requirements of each country vary according to individual circumstances these wide discrepancies reflect an abnormal situation. The problem is not merely one of transferring gold from one country to another, but of using the gold in countries where it is relatively abundant as a basis for credit which shall be made available in countries where gold is scarce. This implies fundamentally a restoration of confidence among investors, but it is felt in Europe that the International Bank can help and is beginning to do so.

As the central banks increase their deposits with the International Bank—and these deposits so far only amount to one-fifth of the International Bank's total resources—the Bank will be able to place funds where they are most needed and for longer periods than the local central banks are able to under their statutes. It is already beginning to do this in Eastern Europe. Even though private banking institutions, notably in London, oppose expansion of the International Bank's activities, the latter are having the effect of stimulating credit expansion through the private banks for competitive reasons. For instance, the Jugo-Slav Tobacco Monopoly was granted $1 million credit by private institutions when it became clear the International Bank would be prepared to finance the tobacco crop.

Britain Accepts Risk To Rush New Liner

EUROPEAN NEWS BUREAU (*By Cable*) —The British government is entering the insurance business to assure immediate construction on the new Cunard superliner. London's insurance market is disgruntled, is likely to refuse to share any part of the huge risk because government rates are far below what the market is inclined to consider safe.

London looks at the legislation which has been drafted as characteristic of political ineptitude. The rate on the $25-million Cunarder, contract for the building of which has been let to the John Brown Co., has been set by the government at 1½%, with a 6d continuation rate. The standard scale, according to the Building Risk Institute of London, is 8d for the continuation rate on vessels costing up to $14 millions, with a higher rate on larger risks. The market would have quoted 2%, with 18d continuation, though this last matter might willingly have been left for discussion and possible compromise.

More hopeful are facts concerning construction. The Southern Railway has already agreed to build a new dry dock at Southampton to accommodate the giant liner. The shipbuilders estimate that the building of the vessel will keep 3000 men employed for 3 years and another 1500 indirectly employed for 2½ years. This will save $1¼ millions on the dole and may be one reason for the willingness of the government to assume a part of the insurance risk.

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SO THAT, after a year of production and refinement, when we are ready to tell our story to the world, we realize that you men of Business are our only world—and that the most logical and effective way of telling you that dramatic tale, is through The Business Week itself.

FOR THIS REASON, then, The Business Week will bring to you in succeeding issues the story of its conception, its birth, and its rearing to maturity, through the pages of its own self—an autobiography, if you please, which we hope will be quite as interesting reading (and perhaps as remunerative) as that of our editorial pages.

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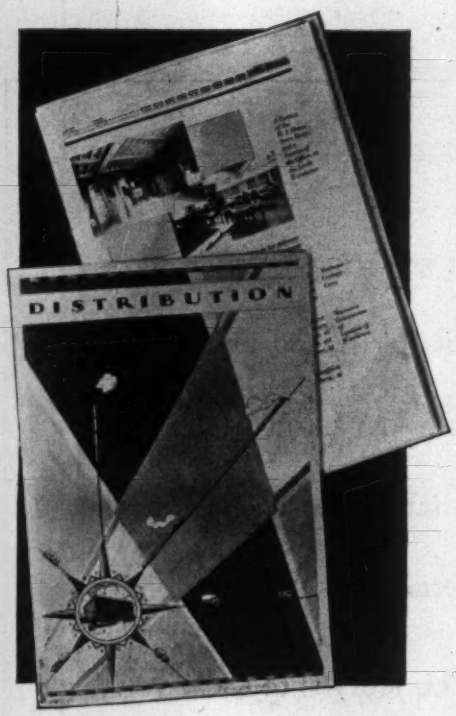

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Bremen-Europa Popularity Spurs German Shipbuilding

REPORT that Germans will build 500,000 tons of new ships in 5 years, to replace 600,000 tons of obsolete vessels, gains credence because Germany has two strong reasons for shipbuilding.

The obvious one is the triumph of the *Bremen* and the *Europa* in capturing the lion's share of the North Atlantic passenger traffic this summer.

The Unemployment Motif

Another is the unemployment in Germany. Bremen's leading shipbuilding company, Deschimag, in November applied to the government for a subsidy of $25 millions in the form of a 5-year credit, the Reich to bear the entire interest charge for 2 years and to contribute 3% for 3 years. Deschimag proposed to acquire and break up obsolete tonnage and stimulate orders for new ships (*The Business Week*, Nov. 12).

Since the Lloyd-Hapag companies pooled their interests, rationalization of schedules has freed a large number of ships for new and expanding services which previously would have been supplied by competitive building. Not even brisk orders from other companies, including a number of tank ships for Standard Oil, have filled the gap in shipbuilding.

German federal finances are too precarious for this Deschimag program. The new Lloyd-Hapag building program would accomplish the same result. Financing is proposed through foreign loans contracted by Lloyd-Hapag. Some 30,000 shipyard workers would be employed; 68% of the total outlay would be for wages.

New Ships Oust Old

Lloyd and Hapag officials in New York have not yet been informed of plans. Announcements from Bremen and Hamburg are still indefinite. The rumor, however, has foundation and is an indication of the extent to which today's shipping rivalry, particularly in the North Atlantic, has gone. Twenty-year-old ships no longer can hold their places in the new competition.

If the Lloyd-Hapag scheme works, Britain's new shipping pool will be faced with important new problems. French and Italian lines will be forced to expand already elaborate plans. American lines will have support for their arguments that only the most modern ships, and the fastest, can compete for today's ocean traffic.

Swift Survey of Business Abroad

EUROPE

EUROPEAN NEWS BUREAU (*By Cable*) —Business remains quiet with the basic trend one of very gradual improvement except in France. Price formation particularly shows greater stability. Prices, as reflected on British markets—which are the largest open markets in the world and consequently the most representative—continued to seesaw during November but within narrowing limits and with a greater upward trend. Of a total of 75 commodities recorded, 32 (compared with 47 in October) declined in price, though only 2 (in contrast with 5 in October) dropped more than 10%. The prices on 20 commodities (compared with 16 in October) remained unchanged. On 23 (October only 12), the price increased.

Hindenburg vs. Reichstag

Immediate general prospects are unsettled. Wage issues and coal strikes have broken out in Great Britain following application of the terms of the Coal Act before preparations had really been completed. Attention in Germany is focused on the reaction of the Reichstag to President Hindenburg's promulgation by emergency decree of Bruening's fiscal reforms without first submitting the reforms to parliament. This measure was dictated by tactical considerations. German political parties are hesitant to assume responsibility for public support of Bruening's economic program. This made a parliamentary majority dubious. The same parties, however, are equally hesitant to assume the responsibility of rejecting the President's signature to the emergency decree since this would almost certainly entail a second dissolution of the Reichstag and new elections, probably with a Nazist landslide. Consequently, it is expected that parliament won't reject the same reforms which it refused to legislate.

In France, the overdue deflation cycle is beginning to gather momentum. This is occasioning a recall of French foreign balances and renewed gold movements and exchange oscillations with resultant twitchy tightening on the money market. No actual stringency, however, is anticipated on the principal markets, notwithstanding year-end settlement requirements. Belgium has concluded a 4½% loan for $19 millions with a Swiss and Dutch banking consortium, the proceeds destined to liquidate an 8½% loan held in the United States since 1921. French abstention is again remarked, notwithstanding internal capital congestion.

Developments affecting already established cartels and the formation of new ones are a feature of the current situation. The European steel, wire, and rail cartels are all meeting in Paris this week. Cuban and Javan sugar interests are conferring at Amsterdam, before facing the beet-sugar growers of Europe at Brussels. First reports of the Amsterdam meeting are good.

The simultaneous visit to Europe of the presidents of the 3 leading American rayon companies is believed to signify a resumption of discussions of the possibilities of stabilizing the world industry. During November, a 2-year accord was reached between the woodpulp interests of Germany, Sweden, Finland, and Czechoslovakia, with probable later agreement by Austria, whereby production will be limited to 85% of 1929 volume. Upon the steel cartel meeting depends the renewal of production quotas for 1931.

Trade observers in Spain report that there are indications that the government may soon reverse its protectionist tariff policies. The feeling is growing that tariff restrictions have resulted in more harm than benefit. This is of great interest to American exporters.

Italy has started wholeheartedly to carry out a wage-price reduction program. Government employees and members of parliament already have been forced to accept a 12% salary cut. Industrial and banking interests are falling into line with cuts of 25% for managers, 12% for employees, and 8% for workmen. Prices are coming down, though a bit more slowly.

Coal Strike Threatens British Business

LONDON (*By Cable*) — Business is overshadowed by the coal trouble which has culminated already in a strike of 92,000 Scottish miners. There is still some fear that others will walk out. The whole difficulty is due to the change in statutory hours according to the new Coal Act without first reaching an agreement between miners and operators on new wage rates. According to the new law, miners will work only 7½ hours a day. Owners, faced with depression, are demanding proportionate wage cuts. The Miners' Union refuses flatly to accept any wage cut. A last minute appeal by the government which resulted in a temporary agreement by South Wales miners and which other English and Welsh mining districts decided to follow, is all that prevented a general stoppage throughout the industry on Dec. 1. Negotiations for wage agreements are now under way between operators and workers.

The crisis on the railroads is less acute. Railway workers, aware of vastly reduced rail revenues, are considering the proposed wage cuts. Directors of the London, Midland & Scottish Railway Co. have voted a 25% cut in their own salaries; directors of other companies will consider salary reductions at coming general meetings. The moral effect of this step is lost, however, owing to its tardiness. Public opinion now is inclined to accept it as a forced move rather than as genuine readiness on the part of railway managers to share in the sacrifices demanded of laborers. Total salaries to managers last year amounted to $503,000, or an average per director of $5000.

Slack, But No Worse

Despite these labor difficulties, optimism is still marked. Iron and steel are dull but there is some increase in the demand for semi-manufactured products and a brighter tone on the London iron and steel exchange. Welsh tin plates are facing more optimistic outlook since the abandonment of the minimum price scheme. Inquiries on the Manchester cotton market are stronger but as yet no business has resulted. Wool is slack. So are hides, but leather is in moderate demand. Money is tight. War loan dividend payments eased the position this week. Christmas currency demands are not expected to be up to normal. Conversion rumors are again rife but as the 4% basis has not reached the giltedged market, and Christmas demand is beginning, no conversion is probable this year.

The Lancashire Cotton Corp. has increased its capital by $3 millions, to a total of $22 millions, in order to acquire 12 more companies owning a total of 1 million spindles. Weavers' unions are still opposing the proposal from operators to assign more looms to each worker and increase wages.

Unemployment increased 24,000 this week. The House of Commons has voted $50 millions to extend unemployment benefits, but with outgo already exceeding income from the fund by $3 millions, another $50 millions is to be voted.

Developments in the Royal Mail Line controversy are expected soon. Lord Kylsant has secured a special leave of absence and left London. In his place, Walter Runciman is to be in complete control. He has already stated that minor lines in the big combine will be sold and the finances of the remaining group rationalized and made solvent so that the present burden of bank loans can be replaced by popular loans.

French Activity Reduced, Wage Cuts Threatened

PARIS (*By Cable*)—The month-end settlement day, which it had been feared would mark the failure of the second important speculative holding company —Devilder—was successfully passed when a consortium of private interests undertook to assume the residue of the Devilder obligations, some of which had depreciated 90% within the year. The trend of fundamental economic and business conditions, however, is increasingly unsatisfactory due, principally, to the topheavy internal price structure and lack of equilibrium between industry and agriculture. There is a growing realization that a difficult deflation period lies ahead. Banks are mobilizing all available assets (which accounts for the renewed gold influx) and industry is padlocking resources and reducing or passing dividends, while the public hoards cash. The Tardieu government fell Thursday.

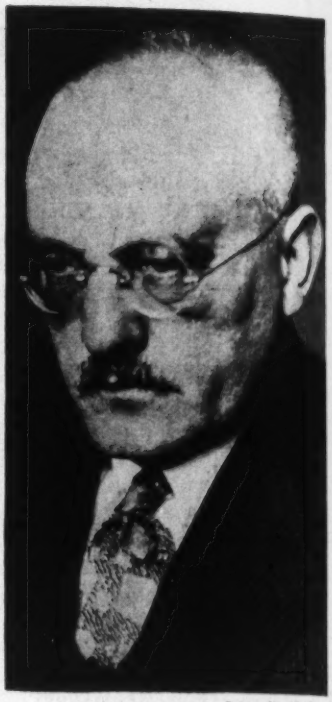
Meanwhile, activity in industry is falling with accelerated rapidity. October iron and steel production was down by substantial amounts for the third consecutive month, and reached 1928 levels. Short-time unemployment is becoming widespread. Stringent control of labor immigration was established this week, and repatriation of foreign labor now in the country has begun. Industry is seeking 10% reductions in wages but with retail prices and living costs higher instead of lower than a year ago, labor naturally is resisting the move strenuously.

Whereas, at the end of November, wholesale prices on imported products were down 34% from the 1929 average, the average on French domestic products was down only 12%, while retail prices actually were up 4%. This is the result of 3 principal causes: gold and capital congestion; higher social insurance charges which offset tax reductions; and the policy of agricultural protectionism which is leading to increased living costs, and the labor demand for higher wages, at a time when a reduction in wage scales is an industrial necessity.

Stock prices manifest a similar inflation. Although the average price on 300 common stocks was down 26% from the 1929 average, it must be remembered that the preceding orgy of speculation carried prices to unprecedented levels, showing only a 2.5% average yield. The present yield on common stocks of 3.7% still compares with preferreds at 3.9%, and bonds at 4.4%, and this at a time when industry is facing no new period of prosperity and speculative possibilities, but a period of reaction following 2 years of unprecedented activity.

France Still Well Off

On the other hand, due to several factors, it is improbable that France will experience a crisis approaching in intensity the experiences of most other depression countries. The exceptionally strong financial position, both of the French government and Bank of France and of leading financial institutions and industries, will permit the country to live from its own fat for a protracted period. Secondly, due to a chronic shortage of native labor and the presence of 2 million re-exportable foreign workmen, labor is cushioned against sudden excessive unemployment. Moreover, it should be noted that, while France recently introduced a series of social insurance measures, it stopped short of introducing a national unemployment dole, leaving the care of the unemployed to autonomous labor insurance associations. Thirdly, the inherent conservatism of the French never permitted precipitated industrial expansion in times of prosperity so that the present prospect of recession implies less of a stoppage due to excess of plant facilities. And lastly, any recovery outside of France will tend to benefit conditions within, while the program for colonial loan investments and the domestic national equipment program to be financed from the accumulated surplus of treasury revenues are both approaching consummation and will provide approximately $300 millions for new public expenditures during 1931 and serve importantly to mitigate the effects of contraction of private activity.



International News

DR. CARL BOSCH

The chairman of I. G. Farbenindustrie, Germany's great chemical trust, claims his country cannot carry the reparations burden, asks for a moratorium. Chancellor Bruening's advocates are determined that such a move must come from without

The internal dispute over the tariff is growing between agricultural and industrial interests. Agriculture recently submitted to parliament bills proposing new duties or super-taxes on various products. The Lille Chamber of Commerce, representing 75% of the national textile industry, has countered with a resolution demanding that all textile raw materials, including rubber and thread, remain or be placed on a free list which collides with agricultural interests who particularly want wool, hemp, and flax protected.

Italy Enforces Drastic Price-Wage Cut Program

MILAN (*By Cable*)—The government program, begun on Nov. 19, to reduce simultaneously both wages and prices is by far the most important economic event of the year. Parliament voted a 12% cut in salaries of members, and industrial, commercial and bank confederations have taken similar measures. Rents, railway transportation, and prices of merchandise, hotel, restaurant, electric

light, and gas rates are already down in some places. Wages of workmen have been reduced 8%. It is estimated that the treasury saving from lower salaries to public employees and to the deputies will range from $30 to $35 millions yearly, or about the amount of the deficit from July 1 to October 31 this year.

The salary cut of government employees receiving up to $2000 annually was 12%; those between $2000 and $3000, 25%; above $3000, 35%. A 10% reduction in rents in Rome and Milan has already been announced. Railway transportation will be reduced. Hotel prices are down 10%, restaurants and cafés, 15%.

Firm Leadership of Reich Steadies German Business

BERLIN (*By Cable*)—Business has relinquished all hope of recovery before spring, and the country faces the most critical winter since the inflation year of 1923. The only comfort to business is the firm political leadership of the Bruening administration, once more manifested in the issue of the emergency decrees enforcing the program for national economy. After meeting the obligations of federal and state finances, the critical state of municipal finance has become the main concern. An increasing number of cities show inability to provide cover for fresh deficits caused by alarmingly increased unemployment and demands for relief. City councils, like the Reichstag, are paralyzed by the absence of working majorities, thus precluding the introduction of new taxes and necessitating dictatorial intervention of the government by appointment of special commissioners with authority to promulgate taxes and curtail expenditure. Berlin, faced with a fresh deficit of $22 millions for the current year, is forced to submit to the appointment of a government commissioner who will order immediate introduction of the so-called civic tax or progressive poll tax, and a municipal tax on all beverages served in restaurants and cafés.

The Ruhr coal industry award prolonging the 8-hour agreement ot Sept. 1, 1931, has been declared binding by the Minister of Labor. After the advance price cut in the Ruhr industry, a reduction in wages of from 6% to 8% is considered a foregone conclusion. Further wage cuts in industry and trade are the order of the day.

Lufthansa, holding a monopoly on all German air lines, has announced a drastic cut of 30% in passenger rates. This brings the new rates down to the level of second class railway fares.

Current reports on industries are featureless. Iron and steel demand is held back by the prospect of an early price cut, but industry is able partly to fill the gap on better export orders. Christmas trade is below normal. Solingen cutlery, paper, printing, and cigarettes are the only branches reporting better orders.

Pacific & Atlantic

BRITISH MINERS' LEADERS

Left to right are E. Edwards, Tom Richards, president, and A. J. Cook, secretary, at the Kingsway Hall meeting in London

Latin American Business Outlook Improves Slightly

THE outlook is not without some hopeful signs for improvement. With the exception of unfavorable foreign exchange, Argentine affairs are running smoothly with confidence in the government increasing. The new budget provides for drastic cuts but they are wisely considered from the business angle. Most unfortunate is the discharge of 10,000 government employees.

The 8-hour law is being enforced and will give additional work to a small number of unemployed.

Brazil Situation Serious

In Brazil, unemployment is increasing. Serious strikes are reported in Sao Paulo. Branches of the Armour Co., Continental Can, and the Antarctic Brewery—largest in Brazil—have been temporarily closed.

The financial position of the country still is bad. New York bankers expect Brazilian securities to react to continued uncertainty in the domestic situation. The government is slow in returning to a free foreign exchange market after the long ban which practically limited foreign exchange sales to the Banco do Brasil. Though technically lifted Dec. 2, banks still cannot sell exchange to pay for imported luxuries. Further, it is reported that local dealers must buy all dollar exchange from local banks. This curtailment is an attempt on the part of the government to keep money in Brazil and improve the exchange situation. Though the temporary moratorium was lifted Dec. 1, there are still 45 days (60 outside the federal district) in which bills coming due between Oct. 3 and Nov. 30 can be paid.

Colombia Seeks Loan

In Colombia, an internal bond issue of 6 million pesos has been authorized to retire outstanding debts of the government and to retire bonds falling due in 1930 and 1931. A loan is being sought to cover this year's $32 million deficit in the budget, and $20 millions are reported pledged by North American bankers on the condition that the country balance the 1931 budget, reorganize the national railways, and enforce the law that interest on the national debt at no time exceed 25% of the revenue.

Santo Domingo is reported negotiating for a $40 million loan in Wall Street. Bankers are likely to look favorably on a loan, but it seems probable that the amount will be smaller than the sum now announced.

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Edited by
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With a Foreword by
STUART CHASE

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Dagenham and Cologne Hold Keys to Ford's Foreign Program

British Plant Will Manufacture for Assembly Around the World; German Will Supply Central Europe

WHEN Henry Ford visited England in October and failed to look in on the annual automobile salon at Olympia, it caused some little discussion among British exhibitors. More interest was aroused when it became generally known that Ford's new Dagenham plant, near London, is being built with a capacity of 250,000 cars. Annual sales of Fords in England do not exceed 125,000. Dealers and manufacturers tried to learn his plans for the new plant. Mr. Ford refused to talk. So did his British representatives.

Germany is interested in plans for the new Cologne plant, is equally in the dark. But the Cologne plant will be built with an annual capacity of only 50,000 cars. Berlin has had a hazy idea that it is primarily intended to replace the present Berlin assembly plant occupied on lease, handling about 20,000 cars annually.

Requested by representatives in London and Berlin to uncover Ford's plans for Dagenham and Cologne, *The Business Week* learned in Detroit that both of these new plants will operate on much the same basis as the River Rouge plant, making parts for shipment to European and other assembly plants scattered throughout the world—excepting those in the British colonies which are supplied by Ford of Canada.

Largest Outside U. S.

Ford agents give definite details. Dagenham is being built to supplant the present manufacturing facilities at Manchester where only the assembly of cars will be continued. Scheduled for completion next year, it will be the largest automobile factory in the world outside the United States. More than 15,000 men will be employed. Production capacity will reach 250,000, will supply a large part of Europe with Ford cars and trucks which will be assembled in the plants of subsidiary companies just as Ford cars in the United States are assembled in the 32 assembly branches.

British industrialists, worried over Ford competition, note: The Dagenham plant is built on a 110-acre plot with a half-mile frontage on the Thames scarcely 18 miles from London. The foundry and machine shop building will house a 500-ton blast furnace, a settling basin to reclaim the fine iron dust produced in the plant, and a plant for sintering iron ore, which will increase the proportion of iron per ton before charging the blast furnaces. Most of the power will be supplied by refuse from London, Thames-transported in 100-ton barges, burned in a power house equipped with 3 high-pressure boilers with a capacity of 200,000 lbs. of steam an hour.

Distribution Center

The new plant at Cologne, also to be completed next year, will be primarily an assembly plant with a capacity of 75 cars a day. It will manufacture some parts for Ford cars and trucks. More than 1,000 men will be employed. It is expected that the German plant will be more of a distribution center for the three countries under the jurisdiction of the German Ford Co.—Austria, Hungary, Czechoslovakia—than a supplier of German-manufactured parts to those countries.

Detroit calls attention to the fact that Ford is building new plants where he can take full advantage of water transportation. He intends to ship parts, especially stampings such as fenders, aprons, and running board shields, by boat from the River Rouge plant in Detroit, to Long Beach, Calif., then by boat again to San Francisco, Portland, and Seattle.

In this matter of water transportation facilities, Cologne has definite advantages over Berlin. Already there has been a controversy among steamship companies which have been carrying Ford freight to German ports destined for Berlin and those likely to get it through Dutch ports leading to Cologne (*The Business Week*, Oct. 29).

Dagenham has similar advantages. A huge dock, 1,800 feet long and 51 feet wide, is being constructed in the Thames. One section, capable of handling two 600-ton ships, is designed for outbound shipments, another for unloading cargoes of coal, ore and limestone, and the third for the refuse barges.

What the Figures Show

THE highlight of business at present appears to be not in the volume of activity, except in retail lines, so much as in the continued effort to stabilize prices of major commodities. Steel, sugar, petroleum, copper, cotton goods, rayon, wheat have lost considerable ground during the past year, and the need to show a better return in the coming year serves as an inducement to tackle the problem of maladjusted production on a common front. *The Business Week* Index of General Activity for the last week of November remains practically unchanged from the preceding week—80.3% of normal against a revised figure of 80.8% last week and 102% a year ago.

THE BUSINESS WEEK INDEX OF GENERAL ACTIVITY	*Latest Week*	*Preceding Week*	*Year Ago*
	*80.3	†80.8	102.0
Production			
Steel Mill Operation (% capacity)	39	40	66
Building Contracts (F. W. Dodge, daily average in thousands, 4 weeks basis)	$11,168	$11,397	$15,291
Bituminous Coal (daily average, 1,000 tons)	*1,483	1,735	1,862
Petroleum (daily average, 1,000 bbls.)	2,266	2,282	2,638
Total Electric Power (millions K. W. H.)	*1,790	*1,845	1,860
Trade			
Car Loadings (daily average, all classes, 1,000 cars)	130	138	158
Check Payments (outside N. Y. City, millions)	$4,514	$5,500	$5,913
Money in Circulation (daily average, millions)	$4,580	$4,513	$4,860
Wheat Receipts (1,000 bushels)	6,379	6,479	3,811
Cotton Receipts (1,000 bales)	509	516	439
Cattle Receipts (1,000 head)	120	159	157
Hog Receipts (1,000 head)	437	600	579
Wool Receipts (1,000 lb.)	2,635	3,261	6,429
Prices (Average for the Week)			
Wheat (No. 2, hard winter, Kansas City, bu.)	$0.70	$0.68	$1.21
Cotton (middling, New York, lb.)	$0.107	$0.110	$0.174
Iron and Steel (composite, ton)	$31.84	$31.86	$35.97
Copper (electrolytic, lb.)	$0.108	$0.102	$0.178
All Commodities (Fisher's Index, 1926–100)	80.6	80.8	92.3
Finance			
Total Loans and Discounts, Federal Reserve reporting member banks (millions)	$16,527	$16,690	$17,698
Commercial Loans, Federal Reserve reporting member banks (millions)	$8,766	$8,852	$9,809
Brokers' Loans, New York Federal Reserve member banks (millions)	$2,111	$2,122	$3,392
Federal Reserve System Ratio	79.8	81.4	71.5
Stocks Sold (N. Y. Stock Exchange, 1,000 shares)	8,175	12,502	8,087
Stock Prices (N. Y. Times, average 50 stocks)	$159.27	$161.22	$201.76
Bonds Sold (N. Y. Stock Exchange, par value, thousands)	$39,329	$44,966	$51,404
Bond Prices (Dow, Jones, average 40 bonds)	$95.40	$95.56	$93.93
Interest Rates—Call Loans (daily average)	2.0%	2.0%	4.5%
Interest Rates—Time Loans (daily average)	2-2½%	2-2½%	4½-5%
Business Failures (Dun, number)	461	569	371

*Preliminary †Revised

Steel Activity

Steel activity for the closing week of November is estimated by Dow, Jones to have slackened slightly, operations being approximately 39% of capacity against 40% the preceding week, so that our adjusted index of steel stands at 54.1% of normal against 55%. The steel ingot production for November to be announced next week is expected to show a tonnage well under 2.5 million tons against 2,720,414 in October, when operations were carried on at 50% of capacity. November pig iron production of 1,867,107 tons compares with 2,164,768 in October, a reduction of 11% on a daily average basis. But the industry is reconciled to a low rate of activity during the last months of the year, and is focusing attention on the prospects of the first quarter. Railroad buying still lags far behind last year, though signs of revival are appearing. A large amount of pending structural steel work lends encouragement to the industry, though the latest awards of 20,000 tons and inquiry of 17,000 tons represent the smallest figures since September, according to the *Iron Age*. The approach of the holidays and the customary inventory period serves to slacken interest in current specifications, but the belief that 1931 must show an upward trend in automobile production stimulates interest in the Youngstown district. The outlook in the machinery and tool industry is improved, with November sales equal to October and inquiries in fair volume. But chief interest in the steel industry lies in the posting of price advances by the leading producers, amounting to about $1 a ton on plates, shapes, and bars for all orders booked for delivery in the first quarter of 1931. Rising costs in a period of slackened operation, meager earnings, and a belief that orders may be stimulated by a show of stability and a threat of advancing prices are said to motivate the increases. Similar tactics in 1922 and 1927 were successful.

Building Construction

Building construction declined sharply during the last week in November, so that the month's total will probably show a 25% decline from October and a 35% decline from November, 1929. Our adjusted weekly index, which is averaged with the weekly indexes of the three preceding weeks, remains practically unchanged at 65.4% of normal. Residential contracts during the past month still maintain a fair share of the total awards, amounting to 32%, while public works and utilities account for 28%. The latter will undoubtedly show the greatest decline from the October level and approximate the volume of a year ago before governmental stimulus was applied to this branch of activity. In the metropolitan New York area, construction fell nearly 30% from October and over 62% compared with a year ago. Residential contracts comprised 58% of the month's awards,

though they fell 28% below October and almost 15% below a year ago.

Bituminous coal production declined sharply from the Armistice Day week, probably due to the mild weather in many parts of the country. Our adjusted index of this series declined to 66.8% of normal against 77.2% the previous week.

Crude oil production has reached a daily average almost 24% below the peak of 1929, but the need for further correction of output of crude and refined products continues. The crude output of the latest week is now only 26,000 barrels above the daily average of 2,240,000 barrels recommended by the Committee on Petroleum Economics as a desirable rate up to April, 1931.

Electric Power

Electric power production for the week which included the Thanksgiving holiday was slightly curtailed, but our adjusted index making allowance for the holiday, showed a rise from 90.9% of normal to 92.9%.

The October electric output released by the Geological Survey shows a decline of 6.3% from a year ago, the largest difference this year to date. The large comparative decrease was due in part to the exceptionally large total for October, 1929, as the 1930 figure showed a slight increase over September, though less than the normal expectation. The combined months of September and October were but 5% below comparable months of 1929, while August showed a 5.7% decline. The ten months' total now runs less than 1% behind last year.

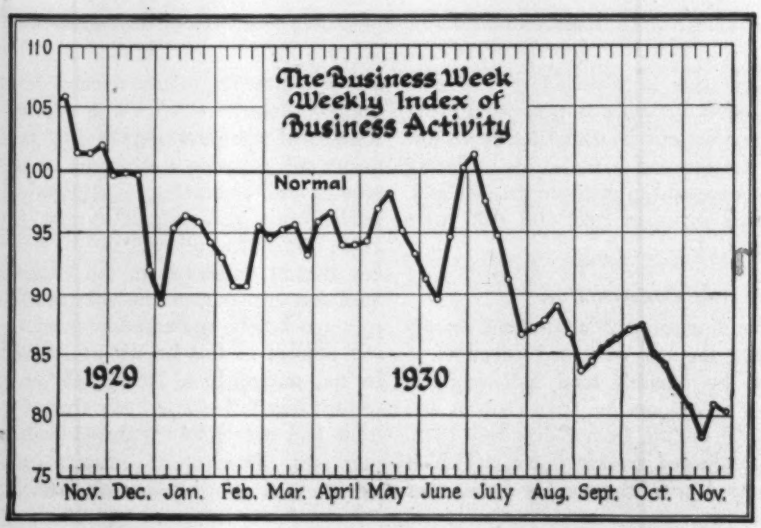
Car loadings declined about 6% for the week of Nov. 22, due largely to large decreases in coal, miscellaneous freight, ore, and livestock, but the downward trend is in line with seasonal expectations. The two groups, miscellaneous and less-than-carlot freight, declined only 3% in the week, so that our adjusted index of these classes was practically unchanged at 75.6% of normal against 75.2% the preceding week.

Check payments declined more sharply in the cities outside of New York during the past week than in this financial center alone, though every district showed a decrease from the preceding week. Our adjusted index based on the 140 centers excluding New York City declined from 93.7% of normal to 91.8%.

The volume of currency in circulation turned sharply upward, characteristic of the season and reflecting improvement in retail trade with the approach of Christmas and cooler weather. The increase for the week which included the Thanksgiving holiday totaled $67 millions, while the average increase for this week based on the past five years is about $50 millions. Our adjusted index rose from 100.4% of normal to 101.9%.

Commodity Prices

The advance in steel and copper prices was the center of attention during the past week. Steel prices are still some $5 a ton below the January, 1930, quotations, so that further increases are deemed essential by producers. However, the resistance met by copper men in the rapid raising of copper prices from 9¼¢ to 12¢ a pound created the impression that a number of minor increases would be more effective in inducing purchases. November exports gained substantially over October, stimulated by low prices and reluctance of producers to sell.



The Business Week's weekly index of general business activity, first of its kind, is based on eight series of weekly figures—steel mill operations, building contracts, bituminous coal production, electric power output, non-bulk carloadings, check payments outside New York, commercial loans of reporting Federal Reserve member banks, and currency in circulation. It shows the current level of the average daily physical volume of business as compared with the normal for the season and the year. Normal, represented by 100, is what the current volume of general business activity should be if the usual seasonal changes and year-to-year growth had occurred. For further explanation of the index see *The Business Week*, May 7, 1930, p. 39.

The wheat market fluctuated but slightly. Speculative interest has shifted from wheat to corn where supply and demand factors promise a higher price level. Grain exports for the last week of November were small, dropping sharply from the preceding week and a year ago.

Cotton prices weakened in the face of hedge sales. Cotton and wool consumption during October showed an increase, while activity in the textile industries during the month improved over September.

While Fisher's index of 120 wholesale commodities weakened fractionally, the more comprehensive index of the National Fertilizer Association turned upward for the first time since Sept. 13.

A sharp decline in security and commercial loans lowered the volume of loans and discounts. Our adjusted index of commercial loans declined fractionally from 106.3% of normal to 105.9%. Six districts reported decreases in these loans, while only two reported increases. The customary trend for the month is downward, since both agricultural and industrial financing requirements have been filled for the year.

Failures for November, though slightly below October, set a new record for the month. Another month of unusually large liabilities has brought the total for the year over 16% above the same period of 1929, while the number of failures for this period exceeds last year by over 14%.

Money and the Market

IRREGULARITY in stocks accompanied by small trading volume during most of the week offered additional evidence of the temporary culmination of a major movement. President Hoover's recommendation of a resumption of the higher income tax rates of 1928 accentuated a downward tendency toward the latter part of the week, however, and speculators watched stock prices' testing the resistance points of last week and Nov. 17.

Many see in the irregular fluctuations of recent weeks the beginning of a so-called "period of accumulation" such as usually follows long declines and is marked by irregularity and lack of trend. The skeptical are waiting a little longer, however, for a little more certainty.

Prospective Tax Increases

The outlook for increased taxes for corporations has a direct bearing upon earnings, the difference between 11% and 12% on corporation income being $20,000 in the case of a firm with annual earnings of $2 millions. Wall Street is extremely interested in the President's request for a study of capital gains taxation, too, though since he made a nearly similar suggestion before the American Bankers Association in Cleveland in October its inclusion in his message was not greatly surprising.

Preferred stocks, as well as common stocks, are at low price levels, though the former are proving much the stronger. Average prices of preferreds, though they have dropped a greater distance than in the 1929 crash, still remain above lowest 1929 prices. Common stocks are under the 1929 low points.

Bonds dropped further from last week's level, then rallied slightly. The average prices for leading bonds are now lowest since July, the entire gain since that time having been wiped out.

Hope for sustained improvement in bond prices picked up this week as banks decreased their buying of governments and turned to other issues. Governments alone have risen to prices giving such low yields that the banks no longer can afford to buy them. Short-term Treasurys now yield only about 1½% and long-term issues a little above 3%. Average yield of high grade issues other than governments is about 4½%, while 5% can be obtained on high class industrials.

Bank Security Loans

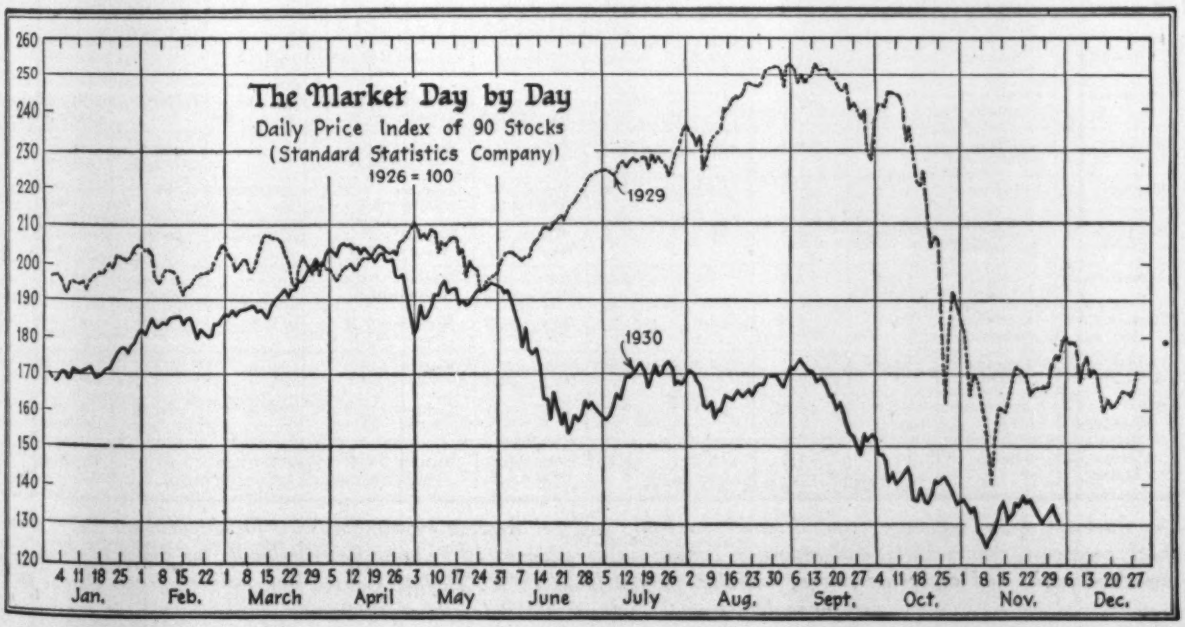
Continued decline in member bank security loans has carried the total to March levels and below those of a year ago, attesting the liquidation of speculation. The New York Federal Reserve Bank points out that total reported security loans are 40% below a year ago, that failure of bank security loans to decline more drastically represents a transfer. The week saw the first decline for some time, though, in bank loans direct to customers. The monthly Stock Exchange report showed a further $393-million drop in brokers' loans and the Federal Reserve weekly report showed the tenth consecutive decline, of $11 millions.

The lower interest rate which the Treasury will henceforth charge on its deposits in commercial banks—1½% instead of 2%—will importantly affect Treasury financing at the middle of the month. At 1½% banks may subscribe more heavily for the forthcoming Treasury issue.

Conditions Abroad

A good deal appears to be happening in foreign financial circles, though much of it is happening in secret. Some more extensive plan of international financial cooperation is in the making, though slow of development.

Owen D. Young's appeal for a more helpful attitude by this country on war debts is significant following his conferences in Europe recently. French officials hint at an understanding between that nation and this, the two great gold-holders. Washington awaits a report from Governor Harrison of the New York Federal Reserve Bank, who has just returned from European conferences. Hjalmar Schacht, former president of the Reichsbank, has gone back to Germany. The Bank for International Settlements received its first actual gold, in trust agreement, this week. Italy is reported in almost dire straits through inability to obtain foreign loans, and the Berlin capital market suffers almost unprecedented stagnation. The Bank of England lost more gold this week, and its total holdings are lowest since Sept. 4.



Reserve Districts Vary Widely In Start of Seasonal Upturn

October Figures, Now Available, Show the East Leading in Gains—Building Activity Unusual

THAT seasonal upturn in business that the whole country expected in October meant, when it came, different things to different sections of the country. This now becomes clear from a study of business conditions for the month in the Federal Reserve Districts based on figures which have just become available. Comparisons with September levels by districts, set forth in the table below, show wide variations with the strongest upturn occurring in the East. Since the figures in the table are not adjusted for seasonal changes, from a part to the whole of each increase shown can be credited to the seasonal trend.

Typical of the seasonal increases is the October growth in commercial loans, department store trade, and check payments in almost every district. Declines in the St. Louis and Minneapolis districts can be ascribed to the fact that the peak of the grain marketing season had been passed.

Life insurance sales rallied from September's low point for the year. A firming of money rates in several districts reflected an increased demand for funds. Department store trade made its most notable increase in Richmond where sales exceeded those of October, 1929.

Building Contracts Up

Building made an unusually good showing in October—and not only by comparison with September. In the St. Louis, Minneapolis, Kansas City districts, building contracts let exceeded totals for the same districts in October, 1929; the Richmond district equalled its showing of a year ago; New York's residential contracts went above the October, 1929, record.

Employment, not covered in the table, dropped below the September total, but a decline at this period of the year is not an infrequent phenomenon. The drop in New York was about 2%; in Pennsylvania, it was about 1½%; and California showed a decline. These states are the major ones in their Federal Reserve districts. There was also a falling off in the Chicago district.

Trends are hard to define on the basis of October figures. Some which can be traced have forecasting value. For example, it is important to know that commercial loans have shown increases for 3 consecutive months in the Boston, Minneapolis, and Dallas districts; that department store trade, whose effects carry back through wholesaling to manufacturing, registered its third consecutive monthly gain in every district excepting St. Louis and Minneapolis; that residential building contracts increased for their fourth consecutive month in New York; that October saw the fourth consecutive decrease for residential and total contracts let in the Atlanta district.

Time deposits have increased regularly for 5 months in the New York and Philadelphia districts, and for 3 months in the Richmond, Minneapolis and San Francisco districts; decreased regularly for 4 months in the Atlanta district.

Survey of October Business by Federal Reserve Districts

(Percentage changes from preceding month with no adjustment for seasonal or secular trend, but allowing for differing number of business days)

Federal Reserve Districts	*General Business*	*Commercial Loans*	*Time Deposits*	*Check Payments*	*Department Store Sales*	*Building Contracts*	*Commercial Failures*	*Savings Deposits*	*Life Insurance Sales*	*Prime Commercial Loan Rates (Cities)*
BOSTON	Improved	+2.98	+0.9	+28.8	+29.5	Home—25.5 Total—21	Number—9.4 Value—3		+17	4—4½% increase ½%
NEW YORK	Better	+3.3	+3.5	+8	+22.7	Home+12.8 Total—7.1	Number+34.4 Value—107.4	+0.13	+12.3	3½—4% slightly firmer
PHILADELPHIA	Activity up slightly	No change	+4.7	+11	+43.5	Home+35.5 Total—22.2	Number+23.4 Value+88.4		Sizeable increase	4—4½% higher
CLEVELAND	Increase	+0.39	—0.6	+5.3	+16.5	Home+5 Total +16	Number+20.3 Value +22.2	+0.7	+4.5	4—5% easier
RICHMOND	Considerable growth	+1.7	+0.8	+9.2	+45.2	Home —29 Total +52.1	Number+3.3 Value —24.9		+5.1	4½—5% unchanged
ATLANTA	Slight improvement	+1.7	—0.4	+9.7	+12.8	Home —7.3 Total —11	Number —9.5 Value +35.5		—2.6	4—6% firmer
CHICAGO	A little better	+0.4	—0.2	+1.9	+2.8	Home —10 Total —16	Number —3.3 Value +2.9	+0.5	+9	4—4½% easier
ST. LOUIS	Slightly higher level	No change	—0.8	+2.9	—3.7	Home —9 Total +67.8	Number —26.2 Value —23.8		Larger	4—4½% no change
MINNEAPOLIS	Decline	+0.6	+5.2	—5.2	—17.3	Home +10.2 Total —51.2	Number —17.4 Value —56.5		+4.4	4—4½% no change
KANSAS CITY	Somewhat improved	+1.7	—4.8	+3.9	+4.4	Home —9.2 Total +57	Number —9.8 Value —32.8	—0.6	+8.1	4½—5% no change
DALLAS	Increased activity	+4.2	+2	+3.9	+10.9	Home +27.9 Total —22.1	Number —18.3 Value —39	+0.7	+2.9	4—6% wider spread
SAN FRANCISCO	A little better	—1.1	+0.4	+6.3	+9.9	Total +4.9	Number +11.3 Value —24	+0.76	+0.19	5—5½% unchanged
UNITED STATES	Better	+1.6	+1.1	+12	+8.7	Home +6.2 Total +1.6	Number +8.2 Value +20	Slight increase	+3.7	Trend mixed

The Business Week summary from original material: Federal Reserve system statistics for department store sales, check payments, money rates, and reporting banks; cooperation of 10 Federal Reserve banks for districts noted for savings deposits and other indicators; building figures from F. W. Dodge, commercial failures from Dun's, and insurance data from Life Insurance Sales Research Bureau

Wide Reading

OUR DOCTOR OF UNEMPLOYMENT. William Hard. *Review of Reviews*, December. Sketch of the "man of the month."

SELLING SOUTH AMERICA. Gardner L. Harding. *North American Review*, December. How far United States exports have penetrated South America and caused certain native industries to flourish.

HOW GREAT BRITAIN REGULATES THE MOTOR BUS. Ivan Bowen. *Bus Transportation*, November. Eleven "areas" in England and two in Scotland with a commission in each having full licensing authority. Through routes must be approved in each area in which they run.

OUR CUSTOMERS, THE SOVIETS. Peter A. Bogdanov. *World's Work*, December. The director of Russia's import and export businessness in this country discusses the present and future status of trade with his country.

UNEMPLOYMENT BOOSTS APPLES. *Advertising & Selling*, Nov. 26. Many of the facts about which everyone has been guessing.

CONNECTING MEN AND JOBS. Paul H. Douglas. *Survey Graphic*, December. The Wagner bill and responsibility for unemployment.

THE FIGHT TO MAINTAIN WAGES. Roy Dickinson. *Printers' Ink*, Nov. 27. Walter S. Gifford, James A. Farrell, and Alfred P. Sloan, Jr., state their stand.

SHOE CHAINS REDUCE PRICES TO SPUR EMPLOYMENT. *Chain Store Age*, December. Companies, and advertisements they have used to introduce special prices.

I. T. & T. *Fortune*, December. Behn brothers, the company now, the officials.

WILL THE FIVE-YEAR PLAN SUCCEED? George Soule. *New Republic*, Dec. 3. Russia's experiment after 2 years. For the exporter who is keeping informed on Soviet industrialization.

POWER FROM THE TROPICAL SEAS. Georges Claude. *Mechanical Engineering*, December. The new experiment, results with the experimental plant, and the inventor's predictions for the future.

WE'VE BEEN OVERLOOKING OPPORTUNITY ON OUR DOORSTEP. Victor M. Cutter. *Nation's Business*, December. Possibilities of foreign trade development in Central and South America.

BOOKS

THE MENACE OF OVERPRODUCTION: ITS CAUSE, EXTENT AND CURE. Edited by Scoville Hamlin. John Wiley, 202 pp., $2.75. Symposium to which 17 business men and economists contribute ideas on overproduction, and suggest remedial steps.

JAPAN'S ECONOMIC POSITION. John E. Orchard. Whittlesey House, 504 pp., $5. Comprehensive study of the economic resources, particularly in relation to industrial development in Japan today.

THE PUBLIC'S INVESTMENT IN HOSPITALS. C. Rufus Rorem. University of Chicago Press, 251 pp., $2.50. This study of capital investment in hospitals offers light in the current controversy about the cost of medical service.

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The Dublin Letters

To Mr. George Clark, On Not Much of Anything

The "Hawk's Nest"
New Hampshire
August, 1928

Dear George:

Have your little scribble saying everything quiet there. Everything quiet here, also. Poetic conferences with Hoskins. Pastoral tattoo of carpentry on the farm. Brooding indifference of the mountains to the monkey-schemes of men. I'm getting quite a bit of soul value per dollar out of the farm venture.

The hypnotic Hoskins has not only sold us on pure and early American architecture, but on furnishing with pure and early American pieces as well. Mrs. Dublin, Hoskins, myself and my checkbook are going to motor down to Boston next week to do the antique dealers. Please deposit $10,000 to my personal account upon receipt of this letter.

We expect the farm house will be ready to move into about the middle of September. That means the middle of October.

We are planning to spend Thanksgiving there—sort of combination housewarming and holiday celebration with a dress rehearsal of the steam heat.

Have decided not to give the farm any name like "Milkweedmere" or "Bunnycrest." Am going to let its local reputation ripen and mellow into a familiar, friendly note which simply says that's where you find Old Jim Dublin—there at the Dublin Farm in the township of Hepzibah, by gorry!

Think I've sold the "Hawk's Nest"—at a slight profit—for occupancy next spring. Probably close the deal in a week or so. Am pleased.

We were glad to get letter from Mrs. Clark saying she and yourself would spend week over Labor Day with us. I will probably be in New York around Aug. 25 and make the return trip up here with you folks. Please include me in train reservations.

I am feeling fine. Not so jumpy and nervous. Sassiest regards— JIM.

To Mr. Ben Frost Answering an Inquiry About The Business Manners and Morals of Leroy Loomis

The "Hawk's Nest"
New Hampshire
August, 1928

Dear Ben:

Your letter regarding Leroy Loomis is here and my reply to it will have to be sketchy.

My impressions of him are to a good extent hearsay, although I have run into him at odd intervals and gossiped business—always with that full frankness between competitors which gives nothing away.

The last time I saw him was three years ago at the Lotos Club dinner given to Sir Edwin Micander. We sat next to each other and after the speeches visited for a half hour or so. It was then yawning time among the best minds and our dialogue was low grade. Whether it was the hour or my own mood I can't say, but Loomis seemed rather heavy and unappealing, like a basket of wet wash.

Loomis is more of a *character* in advertising circles than a success. He knows everybody—actors, Henry Ford, Booth Tarkington, Jimmy Walker, Will Rogers, Charlie Schwab, Walter Chrysler, Babe Ruth, sales-managers, bankers—and God knows who else all. He has attended more banquets than 3 or 4 Chauncey Depews. And this is one reason, in my opinion, why the Loomis Agency has never grown up. It suffers from boss weakness. Leroy is overfed and undernourished on personalities and the cold storage poulef and petit fours of the standardized banquet table.

Nevertheless, he is one of our best solicitors and business getters. He can seep in anywhere he takes a notion to, and he conjures up a peculiar brand of attention. He is a sentiment transfusionist.

In my early married years when we lived at Greenwich we had a colored couple named Jamp and Lou who served us indoors and out and all over the place. We always supposed they were married.

One day Jamp went to New York and took some vows with what Lou termed a "nasty woman." That evening Lou and Jamp celebrated Jamp's nuptials by smashing up our kitchen when he returned to get his clothes.

After the fight I marched the male offender out to the garage and asked him why he did it. He said he didn't want to do it, maintaining that he loved Lou and always—most always—aimed

to be true to her. But the trouble was, Jamp claimed, he just couldn't get shut of the other woman. She wouldn't let him. She just *made* him marry her.

I told Jamp no woman could *make* a man marry her.

Jamp said they could. This one did. "She sad-eyed me, Mister Dublin," concluded Jamp. "She just sad-eyed me right up to the minister 'gainst mah own good judgment."

The Loomis method is, I believe, similar. Any hardboiled executive with a secret vulnerability to the "human touch" had better be out when Leroy walks in. The Loomis story is simple. It is, you might say, the perfect simple. Loomis tells he makes little or nothing from his agency. He gives away too much service. He has tried to stop it but he was born so liberal and lavish he can't help himself. The Loomis Agency is just an outlet for his temperament. He's a man betrayed—by his own genius.

It is surprising how well this slice of East Lynne—with a strain of East Side in it—is received. There are, I suppose, types of customers who cannot resist the opportunity to share a noble emotion, especially when they get a peek at a bargain in between the stanzas.

I do not wish to imply that the Loomis presentation isn't honest. I am sure he believes his own yarn full up to the brim. The tragic part of it is that it has worked so well. The author is tied to it by the faith of results. There is a fatality in having your maiden's prayer answered too regularly. You put too much dependence on it and you lose your repertoire.

A number of very fine accounts have gone to the Loomis Agency—and gone away again. I think if you will look up the list of Loomis clients in the Directory you will find they are not classing so big and desirable as formerly. Perhaps you have already done so.

From this scribble you will see my knowledge of our man is incomplete—as promised. But, having written this much, I wonder if the deficiencies are entirely within me. Perhaps it is Loomis who is constitutionally incomplete and you might fumble around forever and not discover a wholeness, because it isn't there.

Perhaps — even probably — he has been going along all these years very badly—maybe desperately—in need of a George Clark and a Ben Frost to piece him out and make weight.

Sorry I cannot tell you more you'd like to have on this subject.

Why? J.W.D.

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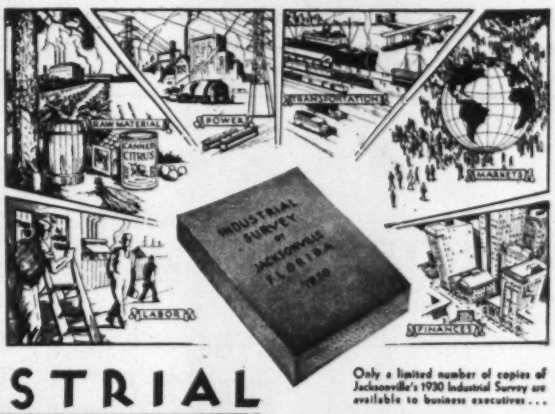

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THE BUSINESS WEEK

The Journal of Business News and Interpretation

December 10, 1930

Digging In

DEPRESSION is the nearest approach that peacetime can produce to what William James called "the moral equivalent of war"—a stimulus to the heroic virtues of men, their capacity for individual and collective self-sacrifice, daring, and extraordinary effort of will and intelligence, which are usually sleeping or half-used when things are peaceful and prosperous. We don't recommend either war or depression on this account; but since we have both, and the latter too frequently, we ought to work them for all they are worth in this respect. Heaven knows they cost enough, anyway, and the more we can get out of them the better.

Every good war works so well as a moral cocktail because it has an enemy. The peacetime equivalent has one, too, though it is harder to visualize, and has too many names. Poverty, hunger, and want are some of them, obvious, arousing. We rush to arms, with generous sacrifices and energetic collective efforts, to hold them back at times like these. But there are others, in ambush, behind desks, beside machines, on the sales trails, equally dangerous, calling as imperatively for daring raids, skilful sharpshooting, persistent sapping and mine-laying. These are waste, slackness, indifference, fatalism, fear.

A whopping depression like this is more than a match for any war in the moral stimulus and opportunity it gives to wipe them out, strengthen the business structure, and prepare the way for sounder prosperity when it returns. This is the branch of the service that appeals especially to the young fellows in business who want to see the world and see it right. While the old boys join the parades against poverty, and the old maids collect the tinfoil, gather the prune pits, knit the socks, and make the bandages for the wounded. the advance guard of youth in American business is digging in on the front line, laying mines, drawing plans, oiling guns, sharpening bayonets for the next forward movement.

Just now is the stalemate stage of the war. The doughboys in the front-line trenches know that many of the stay-at-homes have lost confidence in the ultimate victory. They sense that some of the spur-wearers and gold-braid bearers back at headquarters are up in the air, sailing around in circles, afraid to come down to earth. They have heard that some of them are inclined to talk armistice with the enemy, and even discuss reparations. They know that the experts have been invalided home, that all the grand plans of strategy have been pigeonholed, and that no more big guns will be fired to support their rear. So the light of battle comes into their eyes and they get ready to go over the top on their own.

That is the way every war is won and every depression beaten. When business begins to dig in on the front line, consolidates its position, pulls its forces together, polishes its weapons, prepares its ammunition, sharpens its strategy, keys up its spirit, the war is over. If you look closely you can see that happening now all along the line of the American business front.

In Russia the Soviet has to stimulate the morale of communist industry in its war against permanent depression by specters of plots by the capitalist countries. In the World War we had our German atrocities. In this one American business has a real scare to screw its courage to the fighting pitch—a threatened atrocity that would dismay the world—the violation of the American standard of living.

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